

CITY OF HENDERSON
HENDERSON, MINNESOTA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2010

THIS PAGE IS LEFT BLANK
INTENTIONALLY

CITY OF HENDERSON, MINNESOTA
 ANNUAL FINANCIAL REPORT
 DECEMBER 31, 2010
 TABLE OF CONTENTS

	Page No.
INTRODUCTORY SECTION	
Elected and Appointed Officials	7
FINANCIAL SECTION	
Independent Auditor's Report	11
Management's Discussion and Analysis	15
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets	29
Statement of Activities	30
Fund Financial Statements	
Governmental Funds	
Balance Sheet	34
Reconciliation of the Balance Sheet to the Statement of Net Assets	37
Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits)	38
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits) to the Statement of Activities	40
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual -	
General Fund	41
Fire Fund	43
Proprietary Funds	
Statements of Net Assets	44
Statements of Revenues, Expenses, and Changes in Fund Net Assets (Liabilities)	46
Reconciliation of the Statements of Revenues, Expenses and Changes in Fund Net Assets (Liabilities) to the Statement of Activities	49
Statements of Cash Flows	50
Notes to the Financial Statements	55
Combining and Individual Fund Financial Statements and Schedules	
Nonmajor Governmental Funds	
Combining Balance Sheet	82
Combining Statement of revenues, Expenditures and Changes in Fund Balances (Deficits)	83
Nonmajor Special Revenue Funds	
Combining Balance Sheet	84
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances (Deficits)	85
Schedule of Revenues Expenditures and Changes in Fund Balances (Deficits) - Budget and Actual	
Revenue Fund	86
Economic Development Authority Fund	87
Historic Henderson Fund	88
General Fund	
Comparative Balance Sheets	89
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	90
Debt Service Funds	
Combining Balance Sheet	96
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances (Deficits)	102
Summary Financial Report (Unaudited)	
Revenues and Expenditures for General Operations - Governmental Funds	108

THIS PAGE IS LEFT BLANK
INTENTIONALLY

CITY OF HENDERSON, MINNESOTA
ANNUAL FINANCIAL REPORT
DECEMBER 31, 2010
TABLE OF CONTENTS - CONTINUED

	<u>Page No.</u>
OTHER REQUIRED REPORTS	
Report on Minnesota Legal Compliance	111
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	112
Schedule of Findings and Responses	114

THIS PAGE IS LEFT BLANK
INTENTIONALLY

INTRODUCTORY SECTION

CITY OF HENDERSON
HENDERSON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2010

THIS PAGE IS LEFT BLANK
INTENTIONALLY

CITY OF HENDERSON, MINNESOTA
ELECTED AND APPOINTED OFFICIALS
DECEMBER 31, 2010

ELECTED OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Keith Swenson	Mayor	12/31/10
Les Mediger	Council	12/31/12
George Scheffler	Council	12/31/12
Lamona Phillips	Council	12/31/10
Dan Reiman	Council	12/31/10

APPOINTED OFFICIALS

Lon Berberich	Administrator/Clerk-Treasurer
Lindsey Dhaene	Deputy Clerk-Treasurer

THIS PAGE IS LEFT BLANK
INTENTIONALLY

FINANCIAL SECTION

CITY OF HENDERSON
HENDERSON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2010

THIS PAGE IS LEFT BLANK
INTENTIONALLY



11 Civic Center Plaza
Suite 300
P.O. Box 3166
Mankato, MN 56002-3166

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Henderson
Henderson, Minnesota

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Henderson, Minnesota, (the City) as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year partial comparative information has been derived from the City's 2009 financial statements and, in our report dated February 18, 2010, we expressed unqualified opinions on the respective proprietary fund financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City as of December 31, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General and Fire funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2011 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide and opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

THIS PAGE IS LEFT BLANK
INTENTIONALLY



Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 15 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section, combining and individual fund financial statements and schedules and summary financial report are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section and summary financial report have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

March 10, 2011
Mankato, Minnesota

ABDO, EICK & MEYERS, LLP
Certified Public Accountants

THIS PAGE IS LEFT BLANK
INTENTIONALLY

Management's Discussion and Analysis

As management of the City of Henderson, Minnesota, (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2010.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$5,831,638 (net assets).
- The City's total net assets decreased by \$143,775 as compared to an increase of \$118,683 in the prior year. This decrease is mostly attributable to a decrease in capital grants and contributions. Depreciation expense for the enterprise funds in 2010 was \$283,500 and depreciation expense for the governmental activities was \$297,808.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balance deficit of \$142,788, a decrease of \$158,472 in comparison with the prior year. Much of this decrease is due to intergovernmental revenues being down approximately \$113,000 from the prior year.
- At the end of the current fiscal year, unreserved fund balance for the General fund was \$28,273, or 6.0 percent of total General fund expenditures. The decrease in fund balance for the year was \$2,036. The City is attempting to bring General fund balance levels to acceptable levels for adequate working capital needs. The City did issue Tax Anticipation Certificates for \$365,000 in 2010 to continue to address this issue.
- The City's total debt decreased by \$677,803, 8.0 percent, during the current fiscal year. The key factor in this decrease was the retirement of debt totaling \$688,881. Long-term debt of \$11,078 was issued during the year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of combining and individual fund financial statements and schedules that further explains and supports the information in the financial statements. Figure 1 reflects how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, we have included a section with combining and individual fund financial statements and schedules that provide details about nonmajor governmental funds, which are added together and presented in single columns in the basic financial statements.

Figure 1
Required Components of the
City's Annual Financial Report

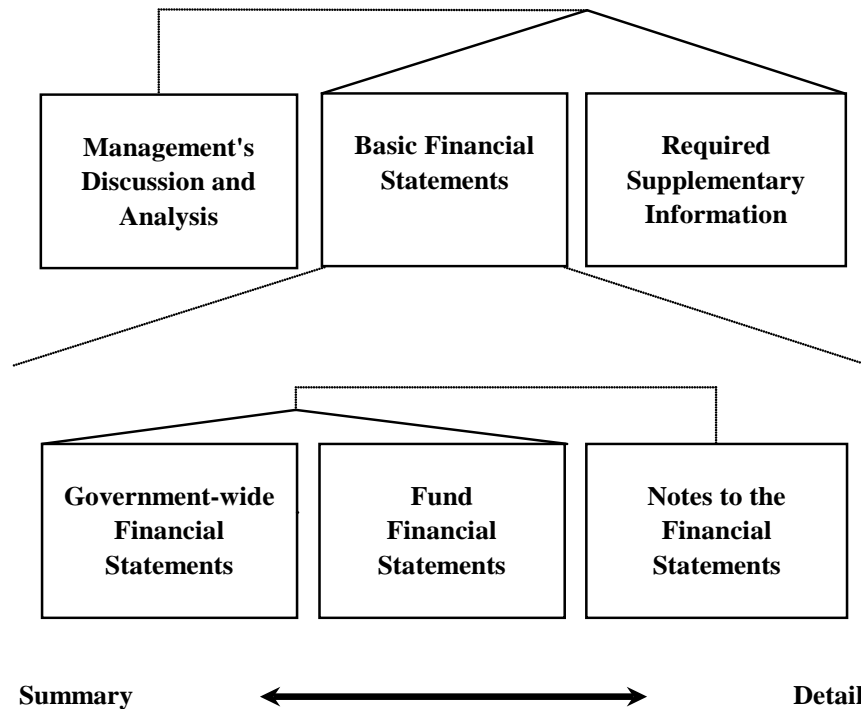


Figure 2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of Management’s Discussion and Analysis explains the structure and contents of each of the statements.

Figure 2
Major features of the Government-wide and Fund Financial Statements

	Fund Financial Statements		
	Government-wide Statements	Governmental Funds	Proprietary Funds
Scope	Entire City government (except fiduciary funds) and the City’s component units	The activities of the City that are not proprietary or fiduciary, such as police, fire and parks	Activities the City operates similar to private businesses, such as the water and sewer system
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of Revenues, Expenses and Changes in Fund Net Assets • Statement of Cash Flows
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of in flow/out flow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, streets and highways, economic development, culture and recreation, and miscellaneous. The business-type activities of the City include water utility, sewer utility and refuse operations.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also a legally separate Economic Development Authority for which the City is financially accountable. The Economic Development Authority, although legally separate, functions for all practical purposes as a department of the City, and therefore has been included as an integral part of the primary government.

The government-wide financial statements can be found starting on page 29 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact by the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains 31 individual governmental funds, 21 of which are Debt Service funds, which are reported as one major fund for the government-wide financial statements. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General, Fire and Debt Service funds, all of which are considered to be major funds. Data from the other nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements or schedules* elsewhere in this report.

The City adopts an annual appropriated budget for its General fund and certain special revenue funds. A budgetary comparison statement has been provided for the General fund and the Fire fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found starting on page 34 of this report.

Proprietary funds. The City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer and environmental services operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for each of the enterprise funds which are considered to be major funds of the City.

The basic proprietary fund financial statements can be found starting on page 44 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 55 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented following the notes to financial statements. Combining and individual fund financial statements and schedules can be found starting on page 82 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$5,831,638 at the close of the most recent fiscal year.

By far, the largest portion of the City's net assets (104.4 percent) reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery and equipment and vehicles), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Henderson's Summary of Net Assets

	Governmental Activities			Business-type Activities		
	2010	2009	Increase (Decrease)	2010	2009	Increase (Decrease)
Current and other assets	\$ 708,128	\$ 776,552	\$ (68,424)	\$ 16,832	\$ 175,455	\$ (158,623)
Capital assets	7,078,861	7,367,847	(288,986)	6,392,316	6,656,791	(264,475)
Total assets	7,786,989	8,144,399	(357,410)	6,409,148	6,832,246	(423,098)
Long-term liabilities outstanding	3,001,294	3,563,130	(561,836)	4,843,000	4,959,272	(116,272)
Other liabilities	465,715	419,122	46,593	54,490	59,708	(5,218)
Total liabilities	3,467,009	3,982,252	(515,243)	4,897,490	5,018,980	(121,490)
Invested in capital assets, net of related debt	4,509,393	4,274,442	234,951	1,571,952	1,917,534	(345,582)
Restricted	-	-	-	139,972	203,094	(63,122)
Unrestricted	(189,413)	(112,295)	(77,118)	(200,266)	(307,362)	107,096
Total net assets	\$ 4,319,980	\$ 4,162,147	\$ 157,833	\$ 1,511,658	\$ 1,813,266	\$ (301,608)

An additional portion of the City's net assets (2.4 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (6.8 percent) represents a deficit, which may affect the ability to meet the City's ongoing obligations to citizens and creditors.

There was a decrease of \$158,187 in net assets reported in connection with the City's business-type activities. The majority of this was the result of depreciation and operating costs associated with the new sewer plant.

The City's net assets decreased by \$143,775 during the current fiscal year. This decrease is attributable to depreciation and operating costs associated with the new sewer plant. Depreciation expense for the enterprise funds in 2010 was \$283,500 and depreciation expense for the governmental activities was \$297,808.

Governmental activities. Governmental activities increased the City's net assets by \$14,412. Key elements of this increase are as follows:

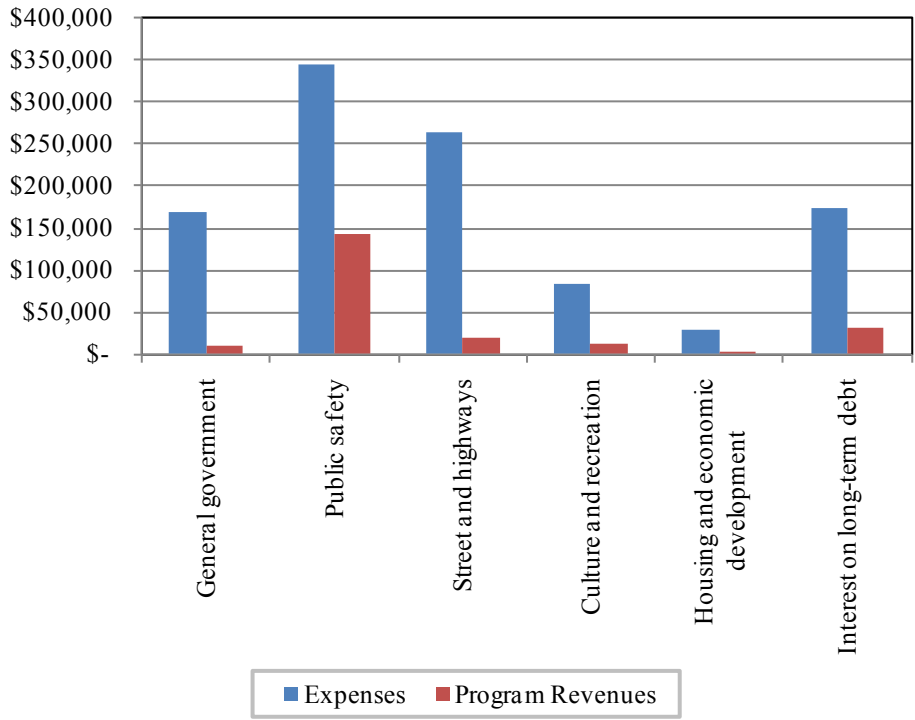
City of Henderson's Changes in Net Assets

	Governmental Activities			Business-type Activities		
	2010	2009	Increase (Decrease)	2010	2009	Increase (Decrease)
Revenues						
Program revenues:						
Charges for services	\$ 76,094	\$ 61,160	\$ 14,934	\$ 426,864	\$ 409,210	\$ 17,654
Operating grants and contributions	120,654	83,626	37,028	50,949	5,524	45,425
Capital grants and contributions	19,751	281,497	(261,746)	-	1,624	(1,624)
General revenues:						
Property taxes/tax increments	554,242	581,717	(27,475)	80,000	-	80,000
Other taxes	7,789	7,765	24	-	-	-
Grants and contributions not restricted to specific programs	298,110	313,709	(15,599)	-	-	-
Investment earnings	184	1,038	(854)	86	63	23
Other	-	183	(183)	-	-	-
Gain on sale of capital assets	-	12,064	(12,064)	-	11,700	(11,700)
Total revenues	1,076,824	1,342,759	(265,935)	557,899	428,121	129,778
Expenses						
General government	168,663	162,925	5,738	-	-	-
Public safety	345,597	308,659	36,938	-	-	-
Streets and highways	263,063	271,673	(8,610)	-	-	-
Culture and recreation	83,656	75,044	8,612	-	-	-
Economic development	30,043	14,620	15,423	-	-	-
Miscellaneous	25	-	25	-	-	-
Interest on long-term debt	173,865	192,231	(18,366)	-	-	-
Water	-	-	-	209,859	175,511	34,348
Sewer	-	-	-	426,090	366,196	59,894
Refuse	-	-	-	57,967	79,688	(21,721)
Storm water	-	-	-	19,670	5,650	14,020
Total expenses	1,064,912	1,025,152	39,760	713,586	627,045	86,541
Increase (decrease) in net assets before transfers	11,912	317,607	(305,695)	(155,687)	(198,924)	43,237
Transfers	2,500	(6,290)	8,790	(2,500)	6,290	(8,790)
Change in net assets	14,412	311,317	(296,905)	(158,187)	(192,634)	34,447
Net assets - January 1	4,262,077	3,950,760	311,317	1,698,336	1,890,970	(192,634)
Prior period adjustment (Note 7)	43,491	-	43,491	(28,491)	-	(28,491)
Net assets - January 1 restated	4,305,568	3,950,760	354,808	1,669,845	1,890,970	(221,125)
Net assets - December 31	\$ 4,319,980	\$ 4,262,077	\$ 57,903	\$ 1,511,658	\$ 1,698,336	\$ (186,678)

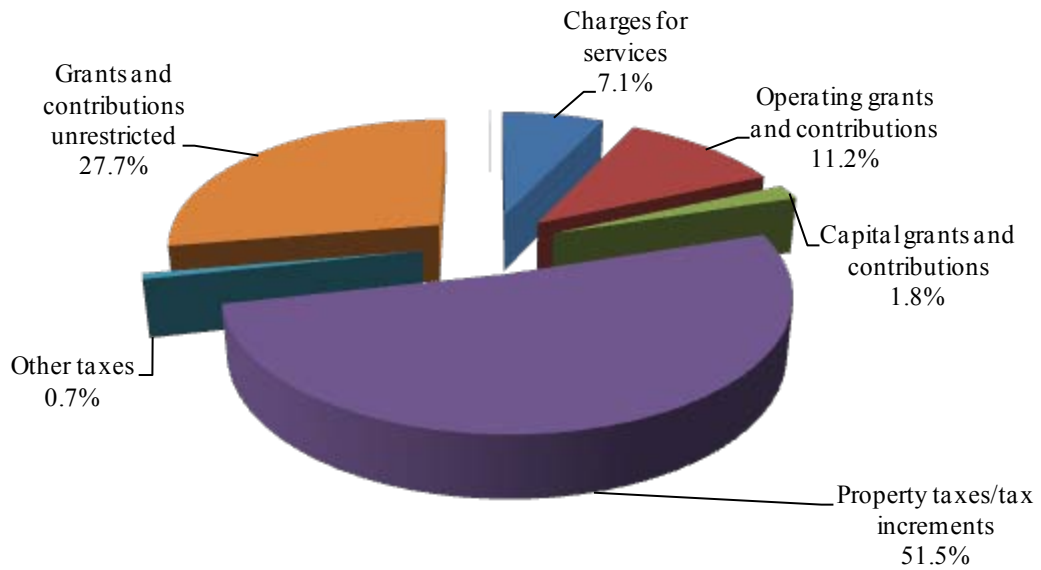
Property taxes increased by \$50,600 (8.5 percent) during the year. This increase was mainly for debt service retirement.

The following graphs depict various governmental activities and show the revenue and expenses directly related to those activities.

Expenses and Program Revenues - Governmental Activities



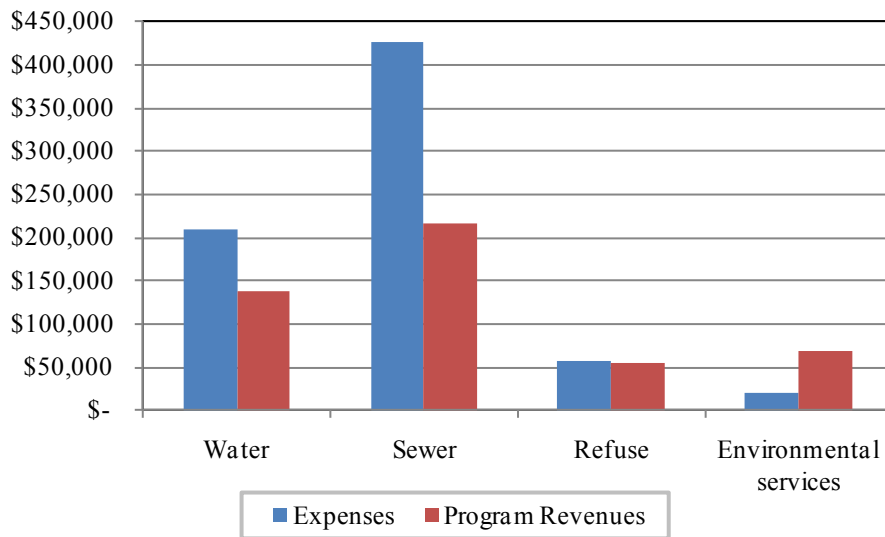
Revenues by Source - Governmental Activities



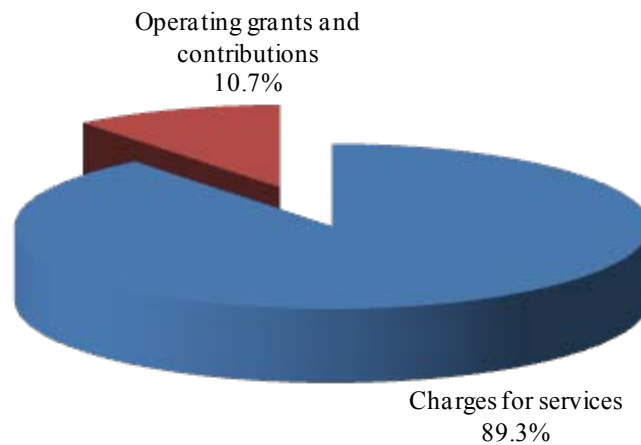
Business-type activities. Business-type activities decreased the City’s net assets by \$158,187. Key elements of this decrease are as follows:

- Depreciation expense for the enterprise funds in 2010 was \$283,500.
- Total operating expenses increased by \$74,300 , mainly due to operating costs for the new sewer treatment plant.
- Taxes of \$80,000 were levied to offset expenses of the new sewer treatment plant.
- Charges for services for business-type activities increased by \$18,401 or 4.5 percent.

Expenses and Program Revenues - Business - type Activities



Revenues by Source - Business - type Activities



Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund deficit of \$142,788, a decrease of \$158,472 in comparison with the prior year. This decrease is attributable to a decrease in taxes, assessments, and intergovernmental revenue. Fund balance is reserved to indicate that it is not available for new spending because it has already been committed to pay debt service in the amount of \$23,269.

General Fund - The General fund is the chief operating fund of the City. At the end of the current year, the fund balance of the General fund was \$34,277. As a measure of the General fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Total unreserved fund balance represents 6.0 percent of fund expenditures.

The fund balance of the City's General fund decreased by \$2,036 during the current fiscal year. During 2010 actual revenues fell short of budget by \$16,269 and expenditures also were below budget by \$9,057. Transfers accounted for \$3,421 in additional financing sources.

Fire Special Revenue Fund - The Fire special revenue fund has a fund balance of \$29,688 at year end. The net increase in fund balance during the current year in the Fire fund was \$15,028.

Debt Service Fund - The Debt Service fund has a total fund deficit of \$153,540, of which \$23,269 is reserved for the payment of debt service. The net decrease in fund balance during the current year in the Debt Service fund was \$199,539, due mainly to special assessment delinquencies.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the enterprise funds at the end of the year had a deficit balance of \$200,266. The total decrease in net assets for the funds was \$200,415. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The City's overall budget was amended during the year, resulting in an decrease in revenues and other financing sources of \$297,998 and a decrease in expenditures of \$301,553. Actual revenues fell short of budget by \$16,269 and expenditures were also below budget by \$9,057.

Capital asset and debt administration

Capital assets. The City's investment in capital assets for its governmental and business type activities as of December 31, 2010, amounts to \$13,471,177 (net of accumulated depreciation). This investment in capital assets includes land, structures, improvements, machinery and equipment, vehicles, roads, highways and bridges. The total decrease in the City's investment in capital assets for the current fiscal year was 3.9 percent (a 3.9 percent decrease for governmental activities and a 4.0 percent decrease for business-type activities).

Major capital asset events during the year included the following:

- The City purchased a copier and a pressure washer for \$2,838 and \$4,980 respectively.

City of Henderson's Capital Assets (net of depreciation)

	Governmental Activities			Business-type Activities		
	2010	2009	Increase (Decrease)	2010	2009	Increase (Decrease)
Land	\$ 339,596	\$ 339,596	\$ -	\$ 4,500	\$ 4,500	\$ -
Buildings	1,064,831	1,114,987	(50,156)	-	-	-
Infrastructure	4,836,626	5,012,438	(175,812)	6,384,419	6,646,730	(262,311)
Machinery and equipment	235,054	258,328	(23,274)	3,397	5,561	(2,164)
Vehicles	602,754	642,498	(39,744)	-	-	-
Total	\$ 7,078,861	\$ 7,367,847	\$ (288,986)	\$ 6,392,316	\$ 6,656,791	\$ (264,475)

Additional information on the City's capital assets can be found in Note 3D starting on page 64 of this report.

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$7,723,000. Of this amount, \$2,455,000 is special assessment debt, \$4,843,000 is revenue debt, \$373,000 is tax increment debt and \$52,000 is general obligation debt. While all of the City's bonds have revenue streams, they are all backed by the full faith and credit of the City.

City of Henderson's Outstanding Debt

	Governmental Activities			Business-type Activities		
	2010	2009	Increase (Decrease)	2010	2009	Increase (Decrease)
General obligation bonds	\$ 52,000	\$ 84,000	\$ (32,000)	\$ -	\$ -	\$ -
G.O. tax increment bonds	373,000	403,000	(30,000)	-	-	-
G.O. improvement bonds	2,455,000	2,775,000	(320,000)	-	-	-
General obligation revenue bonds	-	-	-	4,843,000	5,103,922	(260,922)
Capital leases	112,804	147,685	(34,881)	-	-	-
Total	\$ 2,992,804	\$ 3,409,685	\$ (416,881)	\$ 4,843,000	\$ 5,103,922	\$ (260,922)

The City's total debt decreased by \$677,803 (8.0 percent) during the current fiscal year. The key factor in this decrease was the retirement of debt totaling \$688,881. Long-term debt of \$11,078 was issued during the year.

Minnesota statutes limit the amount of net general obligation debt a City may issue to 3 percent of the market value of taxable property within the City. Net debt is debt payable solely from ad valorem taxes. The current debt limitation for the City is \$1,143,019, which is significantly in excess of the City's outstanding general obligation debt of \$164,804.

Additional information on the City's long-term debt can be found in Note 3F starting on page 67 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for Sibley County as of December 2010 was 7.0 percent, which is approximately the same as a year ago. The State's average unemployment rate for the year was 6.8 percent and the national average rate was 9.1 percent.
- Overall property valuations within the City went down in 2010 (about 9.9%) for taxes payable in 2011 with land values remaining close to the same and building values decreasing between 10-15 percent depending on the property. In 2010 there were no single family home permits issued while three were issued in 2009 and none in 2008 and 2007. In 2011 for taxes payable in 2012 it is anticipated that the growth rate will continue to be slow due to local, state and national trends.
- Inflationary trends in the region compare favorably to state and national indices,

All of these factors were considered in preparing the City's budgets for fiscal years 2010 and 2011.

During the current fiscal year, fund balance in the General fund decreased to \$34,277, a decrease of \$2,036 or 5.6 percent from the previous balance of \$36,313. In 2010 it was intended that this fund balance increase slightly.

The City's overall per cent share of the property tax levy should remain close to the same in payable 2011 with the tax capacity rate anticipated to increase from about 129.576 to 144.055 due to the decrease in the total tax capacity rate and values as discussed above. The total City tax levy was certified in the same amount (\$649,000) for taxes payable in 2011 as it was for taxes payable in 2010. The majority of the payable 2011 tax levy remains to be associated with debt repayment (about 72 percent in 2010 and 60 percent in payable 2011) but the overall percentage is decreasing. Overall general long term debt decreased from \$8,513,605 to \$7,835,802 (\$677,803). Short term debt increased from \$305,000 to \$365,000 but overall short term interest decreased due to the issuance of a 2 percent interest rate tax anticipation certificates.

In 2011 the Water and Sanitary Sewer funds will be reviewed for adjustments in charges for services with an additional substantial increase needing to be addressed in the sanitary sewer utility account. The current PFA capital outlay per month charge was increased to \$35 per month; these charges will continue to be reviewed and adjusted accordingly. Conservation rates for water/sanitary sewer charges were implemented on August 1, 2010. The capital outlay previously charged in the Water fund was reallocated to the Environmental Services fund to pay for storm drainage associated expenses. Fund 603, which previously collected and paid for refuse and recycling activities, was closed out; the current refuse hauler is now charging and collecting for these services.

In the 2011 it is anticipated that with the \$55,000 levy the deficit in the revenue fund (203) will be balanced and closed. The deficit in the 250 fund should also be eliminated in 2011 due to the increase in the tax levy for this fund. All current loans have been paid in the 250 fund but due to the fact the MNCS TIF fund was closed out future loan repayments and bond debt activity will occur in this fund. Debt funds 303 and 379 related to the Oak View Heights housing development project had positive balances at the beginning of 2010 but went into deficit during the year and are anticipated to remain that way. The majority of any 2011 anticipated cash shortages will occur in these funds with the balances increasing from approximate combined fund deficits of (\$102,000) in 2010 to (\$220,000) by January 1, 2012 due to non-payment of assessments (current uncollected assessments are approximately \$175,000) and tax increments (\$0 collected to date). It is anticipated that a substantial amount to the \$55,000 General fund tax delinquency is due to the bankruptcy related to this project as well. There is no anticipation that the status of this housing development will change and the delinquencies will continue to increase in 2011 and beyond until the lots are sold.

Debt Service funds 305, 350 and 366 were paid off and closed out in 2010 as were Tax Increment Finance funds 376 and 377 (fund 377 moved to 250 as discussed above). Also, all 500's funds were closed out with activities to be recognized in their respective corresponding enterprise funds (water, sanitary sewer, PFA or environmental).

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Administrator-Clerk-Treasurer, City of Henderson, 600 Main Street, Henderson, Minnesota 56044 or e-mail us at lonber3@mchsi.com.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF HENDERSON
HENDERSON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2010

THIS PAGE IS LEFT BLANK
INTENTIONALLY

CITY OF HENDERSON, MINNESOTA
STATEMENT OF NET ASSETS
DECEMBER 31, 2010

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents (deficits)	\$ 216,263	\$ (98,404)	\$ 117,859
Receivables			
Delinquent taxes	55,170	-	55,170
Accounts	45,259	48,124	93,383
Special assessments	294,769	-	294,769
Intergovernmental	38,589	43,401	81,990
Prepaid items	7,742	1,075	8,817
Unamortized bond discount and fees	50,336	22,636	72,972
Capital assets:			
Capital assets not being depreciated	339,596	4,500	344,096
Capital assets net of accumulated depreciation	6,739,265	6,387,816	13,127,081
 TOTAL ASSETS	 7,786,989	 6,409,148	 14,196,137
 LIABILITIES			
Accounts payable	37,153	5,371	42,524
Due to other governments	-	113	113
Accrued interest payable	58,882	49,006	107,888
Unearned revenue	4,680	-	4,680
Tax anticipation certificates payable	365,000	-	365,000
Noncurrent liabilities:			
Due within one year	334,772	299,000	633,772
Due in more than one year	2,666,522	4,544,000	7,210,522
 TOTAL LIABILITIES	 3,467,009	 4,897,490	 8,364,499
 NET ASSETS (LIABILITIES)			
Invested in capital assets, net of related debt	4,509,393	1,571,952	6,081,345
Restricted for debt service	-	139,972	139,972
Unrestricted	(189,413)	(200,266)	(389,679)
 TOTAL NET ASSETS	 \$ 4,319,980	 \$ 1,511,658	 \$ 5,831,638

The notes to the financial statements are an integral part of this statement.

CITY OF HENDERSON, MINNESOTA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 168,663	\$ 10,663	\$ -	\$ -
Public safety	345,597	56,141	86,354	-
Streets and highways	263,063	260	-	19,751
Culture and recreation	83,656	8,972	3,300	-
Economic development	30,043	58	-	-
Miscellaneous	25	-	-	-
Interest on long-term debt	173,865	-	31,000	-
Total governmental activities	1,064,912	76,094	120,654	19,751
Business-type activities:				
Water	209,859	137,825	-	-
Sewer	426,090	215,647	1,244	-
Refuse	57,967	49,537	5,524	-
Environmental services	19,670	23,855	44,181	-
Total business-type activities	713,586	426,864	50,949	-
Totals	\$ 1,778,498	\$ 502,958	\$ 171,603	\$ 19,751

General revenues:

- Property taxes, levied for general purposes
- Property taxes, levied for debt service
- Tax increments
- Franchise taxes
- Grants and contributions not restricted to specific programs
- Unrestricted investment earnings

Transfers

Total general revenues and transfers

Change in net assets

Net assets, January 1

Prior period adjustment (Note 7)

Net assets, January 1, restated

Net assets, December 31

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and
Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (158,000)		\$ (158,000)
(203,102)		(203,102)
(243,052)		(243,052)
(71,384)		(71,384)
(29,985)		(29,985)
(25)		(25)
<u>(142,865)</u>		<u>(142,865)</u>
<u>(848,413)</u>		<u>(848,413)</u>
	\$ (72,034)	(72,034)
	(209,199)	(209,199)
	(2,906)	(2,906)
	<u>48,366</u>	<u>48,366</u>
	<u>(235,773)</u>	<u>(235,773)</u>
<u>(848,413)</u>	<u>(235,773)</u>	<u>(1,084,186)</u>
140,638	-	140,638
391,000	80,000	471,000
22,604	-	22,604
7,789	-	7,789
298,110	-	298,110
184	86	270
<u>2,500</u>	<u>(2,500)</u>	<u>-</u>
<u>862,825</u>	<u>77,586</u>	<u>940,411</u>
<u>14,412</u>	<u>(158,187)</u>	<u>(143,775)</u>
4,262,077	1,698,336	5,960,413
<u>43,491</u>	<u>(28,491)</u>	<u>15,000</u>
<u>4,305,568</u>	<u>1,669,845</u>	<u>5,975,413</u>
<u>\$ 4,319,980</u>	<u>\$ 1,511,658</u>	<u>\$ 5,831,638</u>

THIS PAGE IS LEFT BLANK
INTENTIONALLY

FUND FINANCIAL STATEMENTS

CITY OF HENDERSON
HENDERSON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2010

CITY OF HENDERSON, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2010

	General	Fire	Debt Service
ASSETS			
Cash and cash equivalents (deficits)	\$ 391,138	\$ 30,798	\$ (153,647)
Receivables			
Delinquent taxes	55,170	-	-
Accounts	2,072	5,050	38,137
Special assessments	-	-	294,328
Intergovernmental	33,848	4,713	4
Prepaid items	6,004	1,611	103
 TOTAL ASSETS	 \$ 488,232	 \$ 42,172	 \$ 178,925
 LIABILITIES AND FUND BALANCES (DEFICITS)			
LIABILITIES			
Accounts payable	\$ 23,434	\$ 12,484	\$ -
Accrued interest payable	5,671	-	-
Tax anticipation certificates payable	365,000	-	-
Deferred revenue	59,850	-	332,465
 TOTAL LIABILITIES	 453,955	 12,484	 332,465
 FUND BALANCES (DEFICITS)			
Reserved for:			
Prepaid items	6,004	1,611	103
Debt service	-	-	23,269
Unreserved, reported in:			
General fund	28,273	-	-
Special revenue funds	-	28,077	-
Debt service fund	-	-	(176,912)
Capital projects funds	-	-	-
 TOTAL FUND BALANCES (DEFICITS)	 34,277	 29,688	 (153,540)
 TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	 \$ 488,232	 \$ 42,172	 \$ 178,925

The notes to the financial statements are an integral part of this statement.

Other Governmental Funds	Totals
\$ (52,026)	\$ 216,263
-	55,170
-	45,259
441	294,769
24	38,589
24	7,742
<u>\$ (51,537)</u>	<u>\$ 657,792</u>
\$ 1,235	\$ 37,153
-	5,671
-	365,000
441	392,756
<u>1,676</u>	<u>800,580</u>
24	7,742
-	23,269
-	28,273
(53,247)	(25,170)
-	(176,912)
10	10
<u>(53,213)</u>	<u>(142,788)</u>
<u>\$ (51,537)</u>	<u>\$ 657,792</u>

THIS PAGE IS LEFT BLANK
INTENTIONALLY

CITY OF HENDERSON, MINNESOTA
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
GOVERNMENTAL FUNDS
DECEMBER 31, 2010

Total fund balances (deficits) - governmental funds	\$ (142,788)
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>	
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds.</p>	7,078,861
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.</p> <p>Long-term liabilities at year-end consist of:</p>	
Compensated absences payable	(8,490)
Bonds payable	(2,880,000)
Capital lease payable	(112,804)
Bond discounts/issue costs, net of accumulated amortization	50,336
<p>Long-term assets are not available to pay current-period expenditures and, therefore, are deferred in the funds.</p>	
Delinquent property taxes	55,170
Special assessments	294,769
Loans	38,137
<p>Governmental funds do not report a liability for accrued interest until due and payable.</p>	<u>(53,211)</u>
Total net assets - governmental activities	<u><u>\$ 4,319,980</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF HENDERSON, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS)
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	General	Fire	Debt Service
REVENUES			
Taxes	\$ 85,491	\$ 45,000	\$ 394,308
Special assessments	-	-	22,504
Licenses and permits	7,563	-	-
Intergovernmental	339,193	27,189	-
Charges for services	8,984	23,910	-
Fines and forfeits	17,487	-	-
Investment earnings	40	55	-
Miscellaneous	10,148	34,854	31,114
TOTAL REVENUES	468,906	131,008	447,926
EXPENDITURES			
Current			
General government	126,205	-	13,934
Public safety	158,888	111,107	-
Streets and highways	97,201	-	-
Culture and recreation	59,791	-	-
Economic development	1,579	-	15,084
Unallocated	25	-	-
Capital outlay			
General government	2,838	-	-
Public safety	-	4,980	-
Streets and highways	4,485	-	-
Debt service			
Principal	-	-	491,081
Interest and other	23,351	2,393	198,799
TOTAL EXPENDITURES	474,363	118,480	718,898
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(5,457)	12,528	(270,972)
OTHER FINANCING SOURCES (USES)			
Transfers in	3,671	2,500	155,018
Transfers out	(250)	-	(83,585)
TOTAL OTHER FINANCING SOURCES (USES)	3,421	2,500	71,433
NET CHANGE IN FUND BALANCES	(2,036)	15,028	(199,539)
FUND BALANCES (DEFICITS), JANUARY 1	36,313	14,660	45,999
FUND BALANCES (DEFICITS), DECEMBER 31	<u>\$ 34,277</u>	<u>\$ 29,688</u>	<u>\$ (153,540)</u>

The notes to the financial statements are an integral part of this statement.

Other Governmental Funds	Totals
\$ 8,000	\$ 532,799
7,037	29,541
-	7,563
-	366,382
-	32,894
-	17,487
2	97
<u>3,040</u>	<u>79,156</u>
<u>18,079</u>	<u>1,065,919</u>
-	140,139
-	269,995
-	97,201
-	59,791
13,380	30,043
-	25
-	2,838
-	4,980
-	4,485
-	491,081
<u>1,500</u>	<u>226,043</u>
<u>14,880</u>	<u>1,326,621</u>
<u>3,199</u>	<u>(260,702)</u>
28,547	189,736
<u>(3,671)</u>	<u>(87,506)</u>
<u>24,876</u>	<u>102,230</u>
28,075	(158,472)
<u>(81,288)</u>	<u>15,684</u>
<u>\$ (53,213)</u>	<u>\$ (142,788)</u>

CITY OF HENDERSON, MINNESOTA
RECONCILIATION OF THE STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS)
TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

Net change in fund balances (deficits) - governmental funds \$ (158,472)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense.

Capital outlay	8,822
Depreciation expense	(297,808)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Principal repayments	416,881
Discount on bonds issued, net of amortization expense	(5,149)

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental fund because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.

5,717

Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.

Property taxes	29,232
----------------	--------

Certain revenues are recognized as soon as they are earned. Under the modified accrual basis of accounting certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.

Special assessments	(14,882)
Loan principal repayments	(2,895)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences	305
----------------------	-----

Activity of certain funds are presented in governmental funds. However, their functions from a government-wide view perspective are business-type.

Total changes in fund balances - governmental funds:

Revenue Debt PIR	126
2003 G.O. Revenue Bonds	91
2003A G.O. Revenue Bonds	23
2000 G.O. Revenue Bonds	11
2006A G.O. Revenue Refunding Bonds I	155
2006A G.O. Revenue Refunding Bonds II	29,620
2006A G.O. Revenue Refunding Bonds III	81
2006A G.O. Revenue Refunding Bonds IV	2,404
2007B G.O. Revenue Bonds	150
	14,412

Change in net assets - governmental activities	\$ 14,412
--	-----------

The notes to the financial statements are an integral part of this statement.

CITY OF HENDERSON, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL -
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 150,700	\$ 126,480	\$ 85,491	\$ (40,989)
Licenses and permits	17,100	8,100	7,563	(537)
Intergovernmental	289,543	316,665	339,193	22,528
Charges for services	7,100	8,100	8,984	884
Fines and forfeits	16,500	18,000	17,487	(513)
Investment earnings	-	50	40	(10)
Miscellaneous	7,230	7,780	10,148	2,368
TOTAL REVENUES	488,173	485,175	468,906	(16,269)
EXPENDITURES				
Current				
General government	136,123	134,983	126,205	8,778
Public safety	154,500	178,147	158,888	19,259
Streets and highways	89,740	90,230	97,201	(6,971)
Culture and recreation	57,110	52,260	59,791	(7,531)
Economic development	1,600	1,600	1,579	21
Unallocated	-	-	25	(25)
Capital outlay				
General government	3,600	2,900	2,838	62
Streets and highways	-	-	4,485	(4,485)
Debt service				
Principal	305,000	-	-	-
Interest and other	34,000	23,300	23,351	(51)
TOTAL EXPENDITURES	784,973	483,420	474,363	9,057
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(296,800)	1,755	(5,457)	(7,212)
OTHER FINANCING SOURCES				
Transfers in	-	-	3,671	3,671
Debt issued	295,000	-	-	-
Transfers out	-	-	(250)	(250)
TOTAL OTHER FINANCING SOURCES	295,000	-	3,421	3,421
NET CHANGE IN FUND BALANCES	(1,800)	1,755	(2,036)	(3,791)
FUND BALANCES, JANUARY 1	36,313	36,313	36,313	-
FUND BALANCES, DECEMBER 31	\$ 34,513	\$ 38,068	\$ 34,277	\$ (3,791)

The notes to the financial statements are an integral part of this statement.

THIS PAGE IS LEFT BLANK
INTENTIONALLY

CITY OF HENDERSON, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FIRE FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 45,000	\$ 45,000	\$ 45,000	\$ -
Intergovernmental	7,000	15,314	27,189	11,875
Charges for services	22,000	22,000	23,910	1,910
Investment earnings	50	50	55	5
Miscellaneous	19,000	19,000	34,854	15,854
TOTAL REVENUES	93,050	101,364	131,008	29,644
EXPENDITURES				
Current				
Public safety				
Fire	84,050	85,365	111,107	(25,742)
Capital outlay				
Public safety				
Fire	11,000	11,000	4,980	6,020
Debt service				
Principal	4,000	4,000	-	4,000
Interest and other	4,800	3,485	2,393	1,092
TOTAL EXPENDITURES	103,850	103,850	118,480	(14,630)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(10,800)	(2,486)	12,528	15,014
OTHER FINANCING SOURCES				
Transfers in	-	-	2,500	2,500
NET CHANGE IN FUND BALANCES	(10,800)	(2,486)	15,028	17,514
FUND BALANCES, JANUARY 1	14,660	14,660	14,660	-
FUND BALANCES, DECEMBER 31	\$ 3,860	\$ 12,174	\$ 29,688	\$ 17,514

The notes to the financial statements are an integral part of this statement.

CITY OF HENDERSON, MINNESOTA
STATEMENTS OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2010 AND 2009

	Business-type Activities - Enterprise Funds			
	601		602	
	Water Utility		Sewer Utility	
	2010	2009	2010	2009
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents (deficits)	\$ (17,752)	\$ 12,070	\$ (88,703)	\$ 39,131
Receivables				
Accounts	18,029	21,181	26,475	23,833
Intergovernmental	-	-	203	-
Prepaid items	743	522	284	391
TOTAL CURRENT ASSETS	1,020	33,773	(61,741)	63,355
NONCURRENT ASSETS				
Unamortized bond discount	3,830	921	16,536	18,022
Capital assets:				
Land	4,500	4,500	-	-
Infrastructure	1,968,354	1,961,795	6,212,690	6,201,613
Machinery and equipment	23,329	23,329	-	-
Less accumulated depreciation	(1,062,667)	(990,793)	(867,205)	(659,973)
Total capital assets (net of accumulated depreciation)	933,516	998,831	5,345,485	5,541,640
TOTAL NONCURRENT ASSETS	937,346	999,752	5,362,021	5,559,662
TOTAL ASSETS	938,366	1,033,525	5,300,280	5,623,017
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	1,891	1,380	1,909	2,261
Due to other governments	112	82	-	-
Accrued interest payable	5,486	-	42,191	-
Bonds payable - current	30,350	1,600	258,200	196,200
TOTAL CURRENT LIABILITIES	37,839	3,062	302,300	198,461
NONCURRENT LIABILITIES				
Bonds payable - noncurrent	229,250	27,100	4,191,000	4,068,122
TOTAL LIABILITIES	267,089	30,162	4,493,300	4,266,583
NET ASSETS (LIABILITIES)				
Invested in capital assets, net of related debt	677,746	971,052	912,821	1,295,340
Restricted for debt service	-	-	139,972	221,914
Unrestricted	(6,469)	32,311	(245,813)	(160,820)
TOTAL NET ASSETS	\$ 671,277	\$ 1,003,363	\$ 806,980	\$ 1,356,434

The notes to the financial statements are an integral part of this statement.

Business-type Activities - Enterprise Funds

603		605		Totals	
Refuse		Environmental Services			
2010	2009	2010	2009	2010	2009
\$ -	\$ 1,863	\$ 8,051	\$ 10,479	\$ (98,404)	\$ 63,543
-	11,297	3,118	-	47,622	56,311
-	-	43,700	-	43,903	-
-	43	48	-	1,075	956
-	13,203	54,917	10,479	(5,804)	120,810
-	-	2,270	-	22,636	18,943
-	-	-	-	4,500	4,500
-	-	118,376	-	8,299,420	8,163,408
-	1,544	2,933	-	26,262	24,873
-	(154)	(7,994)	-	(1,937,866)	(1,650,920)
-	1,390	113,315	-	6,392,316	6,541,861
-	1,390	115,585	-	6,414,952	6,560,804
-	14,593	170,502	10,479	6,409,148	6,681,614
-	5,767	1,571	-	5,371	9,408
-	1,498	1	-	113	1,580
-	-	1,329	-	49,006	-
-	-	10,450	-	299,000	197,800
-	7,265	13,351	-	353,490	208,788
-	-	123,750	-	4,544,000	4,095,222
-	7,265	137,101	-	4,897,490	4,304,010
-	1,390	(18,615)	-	1,571,952	2,267,782
-	-	-	-	139,972	221,914
-	5,938	52,016	10,479	(200,266)	(112,092)
<u>\$ -</u>	<u>\$ 7,328</u>	<u>\$ 33,401</u>	<u>\$ 10,479</u>	<u>\$ 1,511,658</u>	<u>\$ 2,377,604</u>

CITY OF HENDERSON, MINNESOTA
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS (LIABILITIES)
PROPRIETARY FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	Business-type Activities - Enterprise Funds			
	601		602	
	Water Utility		Sewer Utility	
	2010	2009	2010	2009
OPERATING REVENUES				
Charges for services	\$ 137,430	\$ 165,773	\$ 215,532	\$ 162,270
OPERATING EXPENSES				
Salaries and benefits	33,257	39,879	10,429	26,745
Supplies	14,279	20,024	352	1,855
Other services and charges	57,758	11,429	78,455	93,881
Insurance	1,469	1,061	443	408
Utilities	12,978	13,477	20,082	11,321
Depreciation	71,874	72,384	207,232	129,482
TOTAL OPERATING EXPENSES	191,615	158,254	316,993	263,692
OPERATING INCOME (LOSS)	(54,185)	7,519	(101,461)	(101,422)
NONOPERATING REVENUES (EXPENSES)				
Taxes	-	-	80,000	-
County subsidy	-	-	-	-
MRVPUC related state grants	-	-	-	1,624
Other State grants	-	-	311	-
Other Federal grants	-	-	933	-
Other income	50	677	-	-
Investment earnings	38	27	48	36
Rental income	345	260	115	325
Gain on disposal of capital assets	-	-	-	11,700
Interest and other	(2,128)	(1,180)	(71,857)	(73,967)
Amortization expense	(66)	(65)	(1,486)	(1,484)
TOTAL NONOPERATING REVENUES (EXPENSES)	(1,761)	(281)	8,064	(61,766)
INCOME (LOSS) BEFORE TRANSFERS	(55,946)	7,238	(93,397)	(163,188)
TRANSFERS IN	6,521	3,061	23,484	-
TRANSFERS OUT	(47,650)	(68,000)	(67,350)	(90,050)
CHANGE IN NET ASSETS	(97,075)	(57,701)	(137,263)	(253,238)
NET ASSETS (LIABILITIES), JANUARY 1	1,003,363	1,061,064	1,356,434	1,609,672
PRIOR PERIOD ADJUSTMENT (NOTE 7)	(235,011)	-	(412,191)	-
NET ASSETS (LIABILITIES), JANUARY 1, RESTATED	768,352	1,061,064	944,243	1,609,672
NET ASSETS, DECEMBER 31	\$ 671,277	\$ 1,003,363	\$ 806,980	\$ 1,356,434

The notes to the financial statements are an integral part of this statement.

Business-type Activities - Enterprise Funds

603		605			
Refuse		Environmental Services		Totals	
2010	2009	2010	2009	2010	2009
\$ 49,480	\$ 79,853	\$ 23,855	\$ -	\$ 426,297	\$ 407,896
9,729	6,925	1,900	4,300	55,315	77,849
244	280	70	100	14,945	22,259
47,713	71,578	7,608	750	191,534	177,638
281	214	-	-	2,193	1,683
-	-	-	-	33,060	24,798
-	154	4,394	-	283,500	202,020
57,967	79,151	13,972	5,150	580,547	506,247
(8,487)	702	9,883	(5,150)	(154,250)	(98,351)
-	-	-	-	80,000	-
5,524	5,524	-	-	5,524	5,524
-	-	-	-	-	1,624
-	-	11,045	-	11,356	-
-	-	33,136	-	34,069	-
-	-	-	-	50	677
-	-	-	-	86	63
57	52	-	-	517	637
-	-	-	-	-	11,700
-	(537)	-	(500)	(73,985)	(76,184)
-	-	-	-	(1,552)	(1,549)
5,581	5,039	44,181	(500)	56,065	(57,508)
(2,906)	5,741	54,064	(5,650)	(98,185)	(155,859)
-	12,000	4,687	16,129	34,692	31,190
(4,422)	-	(17,500)	-	(136,922)	(158,050)
(7,328)	17,741	41,251	10,479	(200,415)	(282,719)
7,328	(10,413)	10,479	-	2,377,604	2,660,323
-	-	(18,329)	-	(665,531)	-
7,328	(10,413)	(7,850)	-	1,712,073	2,660,323
\$ -	\$ 7,328	\$ 33,401	\$ 10,479	\$ 1,511,658	\$ 2,377,604

THIS PAGE IS LEFT BLANK
INTENTIONALLY

CITY OF HENDERSON, MINNESOTA
RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS (LIABILITIES) TO THE STATEMENT OF ACTIVITIES
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

Total change in net assets - proprietary funds \$ (200,415)

Amounts reported for business-type activities in the statement of activities are different because:

Activity of certain funds are presented in governmental funds. However, their functions from a government-wide view perspective are business-type.

Total change in fund balances - governmental funds

Revenue Debt PIR	(126)
2003 G.O. Revenue Bonds	(91)
2003A G.O. Revenue Bonds	(23)
2000 G.O. Revenue Bonds	(11)
2006A G.O. Revenue Refunding Bonds I	(155)
2006A G.O. Revenue Refunding Bonds II	(29,620)
2006A G.O. Revenue Refunding Bonds III	(81)
2006A G.O. Revenue Refunding Bonds IV	(2,404)
2007B G.O. Revenue Bonds	(150)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued whereas these amounts are deferred and amortized in the statement of activities.

Principal repayments	74,200
Amortization of bond discount	(472)

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental fund because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.

1,161

Change in net assets - business-type activities \$ (158,187)

The notes to the financial statements are an integral part of this statement.

CITY OF HENDERSON, MINNESOTA
STATEMENTS OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	Business-type Activities - Enterprise Funds			
	601		602	
	Water Utility		Sewer Utility	
	2010	2009	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 140,582	\$ 165,632	\$ 212,890	\$ 150,708
Payments to suppliers and vendors	(86,164)	(46,541)	(99,780)	(111,577)
Payments to and on behalf of employees	(33,257)	(41,761)	(10,429)	(28,806)
Other receipts	395	937	115	325
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>21,556</u>	<u>78,267</u>	<u>102,796</u>	<u>10,650</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
County subsidy	-	-	-	-
Tax levy received	-	-	80,000	-
Other State and Federal grants	-	-	1,244	-
Transfers from other funds	6,521	3,061	23,484	-
Transfers to other funds	(47,650)	(68,000)	(67,350)	(90,050)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCINGS ACTIVITIES	<u>(41,129)</u>	<u>(64,939)</u>	<u>37,378</u>	<u>(90,050)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Bond proceeds	-	-	11,078	302,523
MRVPUC grants received	-	-	-	1,624
Principal paid on long-term debt	(1,600)	(1,200)	(196,200)	(106,399)
Interest and fees paid on long-term debt	(2,128)	(1,180)	(71,857)	(73,967)
Proceeds from sale of capital assets	-	-	-	13,000
Acquisition of capital assets	(6,559)	-	(11,077)	(3,386)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCINGS ACTIVITIES	<u>(10,287)</u>	<u>(2,380)</u>	<u>(268,056)</u>	<u>133,395</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received on investments	38	27	48	36
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (DEFICITS)	(29,822)	10,975	(127,834)	54,031
CASH AND CASH EQUIVALENTS (DEFICITS), JANUARY 1,	<u>12,070</u>	<u>1,095</u>	<u>39,131</u>	<u>(14,900)</u>
CASH AND CASH EQUIVALENTS (DEFICITS), DECEMBER 31,	<u>\$ (17,752)</u>	<u>\$ 12,070</u>	<u>\$ (88,703)</u>	<u>\$ 39,131</u>

The notes to the financial statements are an integral part of this statement.

Business-type Activities - Enterprise Funds

603		605		Totals	
Refuse		Environmental Services			
2010	2009	2010	2009	2010	2009
\$ 60,777	\$ 79,444	\$ 20,737	\$ -	\$ 434,986	\$ 395,784
(55,460)	(70,382)	(6,454)	(850)	(247,858)	(229,350)
(9,729)	(6,925)	(1,900)	(4,300)	(55,315)	(81,792)
57	52	-	-	567	1,314
<u>(4,355)</u>	<u>2,189</u>	<u>12,383</u>	<u>(5,150)</u>	<u>132,380</u>	<u>85,956</u>
5,524	5,524	-	-	5,524	5,524
-	-	-	-	80,000	-
-	-	781	-	2,025	-
-	12,000	4,687	16,129	34,692	31,190
<u>(3,032)</u>	<u>-</u>	<u>(18,890)</u>	<u>-</u>	<u>(136,922)</u>	<u>(158,050)</u>
<u>2,492</u>	<u>17,524</u>	<u>(13,422)</u>	<u>16,129</u>	<u>(14,681)</u>	<u>(121,336)</u>
-	-	-	-	11,078	302,523
-	-	-	-	-	1,624
-	-	-	-	(197,800)	(107,599)
-	(537)	-	(500)	(73,985)	(76,184)
-	-	-	-	-	13,000
<u>-</u>	<u>(1,544)</u>	<u>(1,389)</u>	<u>-</u>	<u>(19,025)</u>	<u>(4,930)</u>
<u>-</u>	<u>(2,081)</u>	<u>(1,389)</u>	<u>(500)</u>	<u>(279,732)</u>	<u>128,434</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>86</u>	<u>63</u>
(1,863)	17,632	(2,428)	10,479	(161,947)	93,117
<u>1,863</u>	<u>(15,769)</u>	<u>10,479</u>	<u>-</u>	<u>63,543</u>	<u>(29,574)</u>
<u>\$ -</u>	<u>\$ 1,863</u>	<u>\$ 8,051</u>	<u>\$ 10,479</u>	<u>\$ (98,404)</u>	<u>\$ 63,543</u>

CITY OF HENDERSON, MINNESOTA
STATEMENTS OF CASH FLOWS - CONTINUED
PROPRIETARY FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	Business-type Activities - Enterprise Funds			
	601		602	
	Water Utility		Sewer Utility	
	2010	2009	2010	2009
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ (54,185)	\$ 7,519	\$ (101,461)	\$ (101,422)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Other income related to operations	395	937	115	325
Depreciation	71,874	72,384	207,232	129,482
(Increase) decrease in assets:				
Accounts receivable	3,152	(141)	(2,642)	(11,562)
Due from other governments	-	-	(203)	-
Prepaid items	(221)	(522)	107	(391)
Increase (decrease) in liabilities:				
Accounts payable	511	14	(352)	(3,721)
Due to other governments	30	(42)	-	-
Compensated absences payable	-	(1,882)	-	(2,061)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 21,556	\$ 78,267	\$ 102,796	\$ 10,650
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES				
Capital assets included in transfers	\$ -	\$ -	\$ -	\$ -
Capital assets transferred to/(from) other funds	\$ -	\$ -	\$ -	\$ -
Debt transferred from governmental funds	\$ 232,500	\$ -	\$ 370,000	\$ -
Bond discount amortization	\$ 66	\$ 65	\$ 1,486	\$ 1,484
Bond discount/issue costs on bonds issued	\$ -	\$ -	\$ -	\$ 7,604
Book value of disposed of assets	\$ -	\$ -	\$ -	\$ 1,300

The notes to the financial statements are an integral part of this statement.

Business-type Activities - Enterprise Funds

603		605		Totals	
Refuse		Storm Water			
2010	2009	2010	2009	2010	2009
\$ (8,487)	\$ 702	\$ 9,883	\$ (5,150)	\$ (154,250)	\$ (98,351)
57	52	-	-	567	1,314
-	154	4,394	-	283,500	202,020
11,297	(409)	(3,118)	-	8,689	(12,112)
-	1,381	(300)	-	(503)	1,381
43	(43)	(48)	-	(119)	(956)
(5,767)	224	1,571	-	(4,037)	(3,483)
(1,498)	128	1	-	(1,467)	86
-	-	-	-	-	(3,943)
<u>\$ (4,355)</u>	<u>\$ 2,189</u>	<u>\$ 12,383</u>	<u>\$ (5,150)</u>	<u>\$ 132,380</u>	<u>\$ 85,956</u>
<u>\$ 1,544</u>	<u>\$ -</u>	<u>\$ 119,920</u>	<u>\$ -</u>	<u>\$ 121,464</u>	<u>\$ -</u>
<u>\$ 1,390</u>	<u>\$ -</u>	<u>\$ (1,390)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 602,500</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,552</u>	<u>\$ 1,549</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,604</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,300</u>

THIS PAGE IS LEFT BLANK
INTENTIONALLY

CITY OF HENDERSON, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

The City of Henderson (the City) operates under “Optional Plan A” as defined in the State of Minnesota statutes. The City is governed by an elected Mayor and a four-member Council. The Council exercises legislative authority and determines all matters of policy. The Council appoints personnel responsible for the proper administration of all affairs relating to the City. The City has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City’s financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization’s governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. As required by accounting principles generally accepted in the United States of America, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities are in substance, part of the City’s operations and so data from these units are combined with data of the primary government. The blended component unit presented has a December 31 year end.

Blended Component Unit. The Economic Development Authority (EDA) was created pursuant to Minnesota statutes 469.090 through 469.108 to carry out economic and industrial development and redevelopment within the City in accordance with policies established by the City Council. The EDA serves all the citizen’s of the City and is governed by a Board comprised of the City’s elected Council. The EDA is reported as a blended special revenue fund. Separate financial statements are not issued for the EDA.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CITY OF HENDERSON, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlement and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On the modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue in the fund financial statements.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The City reports the following major governmental funds:

The *General fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Fire special revenue fund* accounts for fire protection within the City and surrounding Townships.

The *Debt Service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

CITY OF HENDERSON, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The City reports the following major proprietary funds:

The *Water Utility enterprise fund* accounts for costs associated with the City's water system and to ensure that user charges are sufficient to pay for those costs.

The *Sewer Utility enterprise fund* accounts for the costs associated with the City's sewer system and to ensure that user charges are sufficient to pay for those costs.

The *Refuse enterprise fund* accounts for the costs associated with the City's refuse collection and to ensure that user charges are sufficient to pay for those costs. This fund was closed to the Environmental Services fund at year end.

The *Environmental Services enterprise fund* accounts for the costs associated with the City's storm water system and refuse collections to ensure that user charges are sufficient to pay for those costs.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of GASB. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the Council has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

As a general rule the effect of interfund activity has been eliminated from government-wide financial statements. Exceptions to this general rule are charges between the City's water, sewer and refuse functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contribution, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, liabilities and net assets or equity

Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Investments for the City are reported at fair value. Earnings from such investments are allocated on the basis of applicable participation by each of the funds.

CITY OF HENDERSON, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The City may also invest idle funds as authorized by Minnesota statutes, as follows:

1. Direct obligations or obligations guaranteed by the United States or its agencies.
2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.
3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.
4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.
5. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
6. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
7. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
8. Guaranteed investment contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

Property taxes

The Council annually adopts a tax levy and certifies it to the County in December for collection the following year. The County is responsible for collecting all property taxes for the City. These taxes attach an enforceable lien on taxable property within the City on January 1 and are payable by the property owners in two installments. The taxes are collected by the County Treasurer and tax settlements are made to the City during January, June, and November each year.

Taxes payable on homestead property, as defined by Minnesota statutes, are partially reduced by a market value credit aid. The credit is paid to the City by the State of Minnesota (the State) in lieu of taxes levied against the homestead property. The State remits this credit in two equal installments in October and December each year.

Delinquent taxes receivable include the past six years' uncollected taxes. Delinquent taxes have been offset by a deferred revenue liability for delinquent taxes not received within 60 days after year end in the fund financial statements.

Accounts receivable

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2010. All trade receivables are shown net of an allowance for uncollectible accounts. There was no allowance for uncollectible accounts at December 31, 2010 because the City has the ability to certify unpaid utility bills to property owners' taxes.

CITY OF HENDERSON, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2010

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Special assessments

Special assessments represent the financing for public improvements paid for by benefiting property owners. These assessments are recorded as receivables upon certification to the County. Special assessments are recognized as revenue when they are annually certified to the County or received in cash or within 60 days after year end. All governmental special assessments receivable are offset by a deferred revenue liability in the fund financial statements.

Interfund receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets, (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$750 (amount not rounded) and an estimated useful life in excess of one year. The City reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements.

In the case of initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the City chose to include items dating back to June 30, 1980. The City was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the actual cost of the infrastructure to be capitalized by using available records). As the City constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the City values these capital assets at the estimated fair value of the item at the date of its donation.

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings and land improvements	15 - 200
System improvements/infrastructure	30 - 50
Machinery and equipment	10 - 30
Vehicles	5 - 50

CITY OF HENDERSON, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Compensated absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the City. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The General fund is typically used to liquidate governmental compensated absences payable.

Long-term obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Net assets

Net assets represent the difference between assets and liabilities. Net assets are displayed in three components:

- a. Invested in capital assets, net of related debt - Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.
- b. Restricted net assets - Consist of net assets restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.
- c. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

Comparative data/reclassifications

Comparative total data for the prior year have been presented only for individual enterprise funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation.

CITY OF HENDERSON, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2010

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the following funds:

- General fund
- Special revenue funds
 - Revenue
 - Fire
 - Economic Development Authority
 - Historic Henderson

In August of each year, all departments of the City submit requests for appropriations to the Administrator/Clerk-Treasurer so that a budget may be prepared. Before September 15, the proposed budget is presented to the Council for review. The Council holds public hearings and a final budget is prepared and adopted in early December. The City does not use encumbrance accounting.

The appropriated budget is prepared by fund, function and department. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Administrator/Clerk/Treasurer. The legal level of budgetary control is the department level. Budgeted amounts are as originally adopted or as amended by the Council. The City amended its General fund budget for the year decreasing revenues and other financing sources by \$297,998 and decreasing expenditures by \$301,553. The Fire fund budget was amended for the year, increasing revenues by \$8,314. The revenue fund increased budgeted expenditures by \$1,000. The Economic Development fund decreased budgeted expenditures by \$500.

B. Excess of expenditures over appropriations

For the year ended December 31, 2010, expenditures exceeded appropriations in the following funds:

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Excess of Expenditures Over Appropriations</u>
Special revenue			
Fire	\$ 103,850	\$ 118,480	\$ 14,630
Economic Development Authority	10,400	13,880	3,480

These over expenditures were funded by an excess of revenues over budget and transfers in.

CITY OF HENDERSON, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2010

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - CONTINUED

C. Deficit fund equity

The following funds had fund equity deficits at December 31, 2010:

Fund	Amount
Special revenue	
Nonmajor:	
Revenue	\$ 52,308
Economic Development Authority	915
Debt service	
Permanent Improvement Revolving	65,253
2003 G.O. Improvement Bonds	84,800
2007 G.O. Tax Increment Bonds	26,859

The above deficits will be eliminated through future tax and special assessment collections, loan repayments, grants, charges for services and transfers from other funds.

Note 3: DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

Deposits

Custodial credit risk for deposits and investments is the risk that in the event of a bank failure, the City's deposits and investments may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. In accordance with Minnesota statutes and as authorized by the Council, the City maintains deposits at those depository banks, all of which are members of the Federal Reserve System.

Minnesota statutes require that all City deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds.

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- General obligation securities of any state or local government with taxing powers which is rate "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service;
- General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank's public debt is rated "AA" or better by Moody's Investors Service, Inc., or Standard & Poor's Corporation; and
- Time deposits that are fully insured by any federal agency.

CITY OF HENDERSON, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2010

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Minnesota statutes require that all collateral shall be placed in safekeeping in a restricted account at a Federal Reserve Bank, or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The selection should be approved by the City.

At year end, the City's carrying amount of deposits was \$117,859 and the bank balance was \$128,442 . Of the bank balance, \$128,442 was covered by federal depository insurance.

Investments

The investments of the City are subject to the following risks:

- *Credit Risk.* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk. Minnesota Statutes limit the City's investments.
- *Custodial Credit Risk.* The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.
- *Concentration of Credit Risk.* The concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.
- *Interest Rate Risk.* The interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

The City has not adopted a formal investment policy that addresses interest rate and credit risk.

B. Loans receivable

The EDA has loaned funds to local businesses. As of the end of the year all loans had been repaid and there were no loans outstanding.

C. Deferred revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

Fund	Unavailable	Unearned
Delinquent taxes receivable		
General	\$ 55,170	\$ -
Special assessments receivable		
Debt Service	294,328	-
Other governmental	441	-
TIF contribution		
Debt Service	38,137	-
Other unearned revenue		
General	-	4,680
Total	\$ 388,076	\$ 4,680

CITY OF HENDERSON, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

D. Capital assets

Capital asset activity for the City for the year ended December 31, 2010 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 339,596	\$ -	\$ -	\$ 339,596
Capital assets being depreciated:				
Buildings	1,784,606	-	-	1,784,606
Infrastructure	6,984,555	-	-	6,984,555
Machinery and equipment	489,511	8,822	-	498,333
Vehicles	846,521	-	-	846,521
Total capital assets being depreciated	10,105,193	8,822	-	10,114,015
Less accumulated depreciation for:				
Buildings	(669,619)	(50,156)	-	(719,775)
Infrastructure	(1,972,117)	(175,812)	-	(2,147,929)
Machinery and equipment	(231,183)	(32,096)	-	(263,279)
Vehicles	(204,023)	(39,744)	-	(243,767)
Total accumulated depreciation	(3,076,942)	(297,808)	-	(3,374,750)
Total capital assets being depreciated, net	7,028,251	(288,986)	-	6,739,265
Governmental activities capital assets, net	<u>\$ 7,367,847</u>	<u>\$ (288,986)</u>	<u>\$ -</u>	<u>\$ 7,078,861</u>

CITY OF HENDERSON, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 4,500	\$ -	\$ -	\$ 4,500
Capital assets being depreciated:				
Water system	1,961,795	6,559	-	1,968,354
Sanitary sewer system	6,201,613	11,077	-	6,212,690
Storm water system	118,376	-	-	118,376
Machinery and equipment	24,873	1,389	-	26,262
Total capital assets being depreciated	8,306,657	19,025	-	8,325,682
Less accumulated depreciation for:				
Water system	(971,635)	(68,769)	-	(1,040,404)
Sanitary sewer system	(659,973)	(207,232)	-	(867,205)
Storm water system	(3,446)	(3,946)	-	(7,392)
Machinery and equipment	(19,312)	(3,553)	-	(22,865)
Total accumulated depreciation	(1,654,366)	(283,500)	-	(1,937,866)
Total capital assets being depreciated, net	6,652,291	(264,475)	-	6,387,816
Business-type activities capital assets, net	<u>\$ 6,656,791</u>	<u>\$ (264,475)</u>	<u>\$ -</u>	<u>\$ 6,392,316</u>

CITY OF HENDERSON, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Depreciation expense was charged to functions/programs of the City as follows:

Governmental activities:		
General government	\$	34,805
Public safety		76,662
Streets and highways		162,412
Culture and recreation		23,929
		<u>297,808</u>
Total depreciation expense - governmental activities	\$	<u>297,808</u>
Business-type activities:		
Water	\$	71,874
Sewer		207,232
Environmental services		4,394
		<u>283,500</u>
Total depreciation expense - business-type activities	\$	<u>283,500</u>

E. Interfund receivables, payables and transfers

The composition of interfund transfers at December 31, 2010 is as follows:

Transfer out:	Transfer in:			
	General Fund	Fire Fund	Debt Service Funds	Nonmajor Governmental Funds
General fund	\$ -	\$ -	\$ -	\$ 250
Debt service funds	-	-	25,018	28,297
Nonmajor governmental funds	3,671	-	-	-
Water enterprise fund	-	2,500	45,150	-
Sewer enterprise fund	-	-	67,350	-
Refuse enterprise fund	-	-	-	-
Environmental Services enterprise fund	-	-	17,500	-
	<u>\$ 3,671</u>	<u>\$ 2,500</u>	<u>\$ 155,018</u>	<u>\$ 28,547</u>
Total transfers out	<u>\$ 3,671</u>	<u>\$ 2,500</u>	<u>\$ 155,018</u>	<u>\$ 28,547</u>

Transfer out:	Transfer in:			
	Water Enterprise Fund	Sewer Enterprise Fund	Environmental Services Enterprise Fund	Total
General fund	\$ -	\$ -	\$ -	\$ 250
Debt service funds	6,521	23,484	265	83,585
Nonmajor governmental funds	-	-	-	3,671
Water enterprise fund	-	-	-	47,650
Sewer enterprise fund	-	-	-	67,350
Refuse enterprise fund	-	-	4,422	4,422
Environmental Services enterprise fund	-	-	-	17,500
	<u>\$ 6,521</u>	<u>\$ 23,484</u>	<u>\$ 4,687</u>	<u>\$ 224,428</u>
Total transfers out	<u>\$ 6,521</u>	<u>\$ 23,484</u>	<u>\$ 4,687</u>	<u>\$ 224,428</u>

The majority of the transfers were used to close various debt service and other funds and move their account balances to the proper funds to account for their activity.

CITY OF HENDERSON, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2010

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

F. Long-term debt

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. These bonds are reported in the proprietary funds if they are expected to be repaid from proprietary fund revenues. In addition, general obligation bonds have been issued to refund special assessments related bonds.

General obligation bonds

General obligation bonds are direct obligations and pledge the full faith and credit of the government. These obligations are being funded through ad valorem tax levies. General obligation bonds currently outstanding are as follows:

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
2009B G.O. Equipment Certificates	\$ 52,000	4.50 %	08/15/09	02/01/19	<u>\$ 52,000</u>

The annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending December 31,	General Obligation Bonds Governmental Activities		
	Principal	Interest	Total
2011	\$ 4,000	\$ 2,426	\$ 6,426
2012	5,000	2,229	7,229
2013	5,000	1,999	6,999
2014	6,000	1,740	7,740
2015	6,000	1,449	7,449
2016 - 2019	26,000	2,699	28,699
Total	<u>\$ 52,000</u>	<u>\$ 12,542</u>	<u>\$ 64,542</u>

CITY OF HENDERSON, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2010

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

G.O. tax increment bonds

The following bonds were issued for redevelopment projects. The additional tax increments resulting from increased tax capacity of the redeveloped properties will be used to retire related debt.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Refunding Bonds of 2006A	\$ 225,000	4.00 - 4.10 %	11/08/06	02/01/15	\$ 145,000
G.O. Tax Increment Bonds of 2007	233,000	4.5 - 4.75	08/22/07	02/01/19	228,000
Total G.O. Tax Increment Bonds					<u>\$ 373,000</u>

The annual debt service requirements to maturity for general obligation tax increment bonds are as follows:

Year Ending December 31,	G.O. Tax Increment Bonds Governmental Activities		
	Principal	Interest	Total
2011	\$ 31,000	\$ 15,882	\$ 46,882
2012	51,000	14,156	65,156
2013	52,000	11,957	63,957
2014	54,000	9,675	63,675
2015	56,000	7,280	63,280
2016 - 2019	129,000	12,715	141,715
Total	<u>\$ 373,000</u>	<u>\$ 71,665</u>	<u>\$ 444,665</u>

CITY OF HENDERSON, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2010

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

G.O. special assessment (improvement) bonds

The following bonds were issued to finance various improvements and will be repaid primarily from special assessments levied on the properties benefiting from the improvements. Some issues, however, are partly financed by ad valorem tax levies. All special assessment debt is backed by the full faith and credit of the City. Each year the combined assessment and tax levy equals 105 percent of the amount required for debt service. The excess of 5% is to cover any delinquencies in tax or assessment payments.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Refunding Bonds of 2006A	1,145,000	4.00 - 4.30 %	11/08/06	02/01/20	\$ 915,000
G.O. Improvement Bonds of 2002	770,000	3.00 - 5.30	11/01/02	01/01/23	585,000
G.O. Improvement Bonds of 2003A	750,000	2.00 - 4.00	11/20/03	02/01/12	235,000
G.O. Refunding Bonds of 2005A	820,000	3.00 - 4.55	02/22/05	02/01/21	<u>720,000</u>
Total G.O. Special Assessment Bonds					<u>\$ 2,455,000</u>

The annual debt service requirements to maturity for general obligation special assessment bonds are as follows:

Year Ending December 31,	G.O. Special Assessment Bonds Governmental Activities		
	Principal	Interest	Total
2011	\$ 275,000	\$ 101,685	\$ 376,685
2012	285,000	90,541	375,541
2013	175,000	81,152	256,152
2014	180,000	73,774	253,774
2015	190,000	65,942	255,942
2016 - 2019	1,065,000	195,832	1,260,832
2021 - 2023	<u>285,000</u>	<u>16,396</u>	<u>301,396</u>
Total	<u>\$ 2,455,000</u>	<u>\$ 625,322</u>	<u>\$ 3,080,322</u>

CITY OF HENDERSON, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

G.O. revenue bonds

The following bonds were issued to finance capital improvements in the enterprise funds. They will be retired from net revenues of the enterprise funds.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Water and Sewer Revenue Bonds of 2003A	\$ 275,000	2.00 - 4.00 %	11/20/03	02/01/12	\$ 30,000
G.O. Revenue Refunding Bonds of 2003A	175,000	2.00 - 4.00	11/20/03	08/01/12	45,000
G.O. Water and Sewer Revenue Bonds of 2000B	275,000	6.00	12/20/00	02/01/23	275,000
G.O. Refunding and Utility Revenue Bonds of 2006A	70,000	4.00	11/08/06	02/01/14	40,000
G.O. Refunding and Utility Revenue Bonds of 2006A	335,000	4.00 - 4.30	11/08/06	02/01/20	275,000
G.O. Utility Revenue Bonds of 2007B	470,000	3.60 - 4.25	11/15/07	02/01/23	425,000
G.O. Wastewater Revenue Note of 2007 (PFA)	3,713,099	1.49	09/26/07	08/20/27	3,445,000
G.O. Revenue Bonds of 2009B	308,000	4.50	08/15/09	02/01/20	<u>308,000</u>
Total G.O. Revenue Bonds					<u>\$ 4,843,000</u>

The annual debt service requirements to maturity for general obligation revenue bonds are as follows:

Year Ending December 31,	G.O. Revenue Bonds Business-type Activities		
	Principal	Interest	Total
2011	\$ 299,000	\$ 113,157	\$ 412,157
2012	303,000	106,094	409,094
2013	278,000	146,007	424,007
2014	281,000	92,364	373,364
2015	276,000	85,746	361,746
2016 - 2019	1,487,000	323,947	1,810,947
2021 - 2025	1,467,000	122,884	1,589,884
2026 - 2027	452,000	10,132	462,132
Total	<u>\$ 4,843,000</u>	<u>\$ 1,000,331</u>	<u>\$ 5,843,331</u>

CITY OF HENDERSON, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2010

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Capital leases payable

These capital leases were issued to construct the City's library buildings. As of December 31, 2010, the cost of this building is \$376,383 and accumulated depreciation is \$112,915 for a net book value of \$263,468. These obligations are being funded through ad valorem tax levies.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Library Lease	\$ 220,000	5.65 %	09/27/01	09/27/16	<u>\$ 112,804</u>

The annual debt service requirements to maturity for capital leases are as follows:

Year Ending December 31,	Capital Leases Governmental Activities		
	Principal	Interest	Total
2011	\$ 16,282	\$ 6,147	\$ 22,429
2012	17,215	5,214	22,429
2013	18,201	4,227	22,428
2014	19,244	3,184	22,428
2015	20,347	2,082	22,429
2016	21,515	915	22,430
Total	<u>\$ 112,804</u>	<u>\$ 21,769</u>	<u>\$ 134,573</u>

CITY OF HENDERSON, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2010, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 84,000	\$ -	\$ (32,000)	\$ 52,000	\$ 4,000
General obligation tax increment bonds	403,000	-	(30,000)	373,000	31,000
General obligation special assessment bonds	<u>2,775,000</u>	<u>-</u>	<u>(320,000)</u>	<u>2,455,000</u>	<u>275,000</u>
Total bonds payable	3,262,000	-	(382,000)	2,880,000	310,000
Capital leases payable	147,685	-	(34,881)	112,804	16,282
Compensated absences payable	<u>8,795</u>	<u>13,792</u>	<u>(14,097)</u>	<u>8,490</u>	<u>8,490</u>
Governmental activity long-term liabilities	<u><u>\$ 3,418,480</u></u>	<u><u>\$ 13,792</u></u>	<u><u>\$ (430,978)</u></u>	<u><u>\$ 3,001,294</u></u>	<u><u>\$ 334,772</u></u>
Business-type activities:					
Bonds payable:					
General obligation revenue bonds	<u><u>\$ 5,103,922</u></u>	<u><u>\$ 11,078</u></u>	<u><u>\$ (272,000)</u></u>	<u><u>\$ 4,843,000</u></u>	<u><u>\$ 299,000</u></u>

CITY OF HENDERSON, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Short-term indebtedness

Tax Anticipation Certificates Payable. On March 23, 2010, the City issued tax anticipation certificates in the amount of \$365,000. These certificates carried a 1.99 percent interest rate and are due on April 1, 2011. The City plans on renewing these aid anticipation certificates approximately April 1, 2011.

Short-term liability activity for the year ended December 31, 2010 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
Tax anticipation certificates	\$ 305,000	\$ 365,000	\$ (305,000)	\$ 365,000	\$ 365,000

G. Tax increment districts

The City is the administering authority for the following tax increment finance districts:

	Tax Increment District No. 1-2 (Wagar's Red Owl)	Tax Increment District No. 1-3 (New Country School)*	Tax Increment District No. 1-4 (Oakview Heights Second Addition)
Authorizing law	M.S. 469.176	M.S. 469.176	M.S. 469.176
Type of district	Redevelopment	Redevelopment	Housing
Year established	1995	1997	2007
Duration of district	25 years	25 years	25 years
Tax capacity			
Original	\$ 7	\$ -	\$ 869
Current	1,887	-	1,341
Captured - retained	\$ 1,880	\$ -	\$ 472
Total General Obligation Tax Increment			
Bonds and Notes issued	\$ 45,000	\$ 575,000	\$ 233,000
Amounts redeemed	(45,000)	(430,000)	(5,000)
Outstanding at December 31, 2010	\$ -	\$ 145,000	\$ 228,000

* Tax-exempt

CITY OF HENDERSON, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010

Note 4: DEFINED BENEFIT PENSION PLAN - STATEWIDE

A. Plan description

All full-time and certain part-time employees of the City are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF) and the Public Employees Police and Fire Fund (PEPFF), which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minnesota statutes, chapters 353 and 356.

GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, fire-fighters and peace officers who qualify for membership by statute are covered by the PEPFF.

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by State statute, and vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For PEPFF members, the annuity accrual rate is 3.0 percent for each year of service. For all PEPFF members and GERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for PEPFF members and 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

There are different types of annuities available to members upon retirement. A single-life annuity is a lifetime annuity that ceases upon death of the retiree--no survivor annuity is payable. There are also various types of joint and survivor annuity options available which will be payable over joint lives. Members may also leave their contributions in the fund upon termination of public service, in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service, but before retirement benefits begin.

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERF and PEPFF. That report may be obtained on the Internet at www.mnpera.org, by writing to PERA, 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088 or by calling (651) 296-7460 or 1-800-652-9026.

CITY OF HENDERSON, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010

Note 4: DEFINED BENEFIT PENSION PLAN - STATEWIDE - COUNTINED

B. Funding policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. GERF Basic Plan members and Coordinated Plan members were required to contribute 9.1 percent and 6.0 percent, respectively, of their annual covered salary in 2009. PEPFF members were required to contribute 9.4% of their annual covered salary in 2010. PECF members are required to contribute 5.83 percent of their annual covered salary. In 2010, the City was required to contribute the following percentages of annual covered payroll: 11.78 percent for Basic Plan GERF members, 7.00 percent for Coordinated Plan GERF members, and 14.1 percent for PEPFF members. The City's contributions to the General Employees Retirement Fund for the years ending December 31, 2010, 2009, and 2008 were \$14,088, \$14,233 and \$13,552 respectively. The City's contributions to the Public Employees Police & Fire Fund for the years ending December 31, 2010, 2009, and 2008 were \$9,230, \$8,748 and \$7,585 respectively. The City's contributions were equal to the contractually required contributions for each year as set by State statute.

Note 5: DEFINED BENEFIT PENSION PLAN - FIRE RELIEF ASSOCIATION

Plan description

All members of the Henderson Fire Department (the Department) are covered by a defined benefit plan administered by the Henderson Firefighters' Relief Association (the Association). The plan is a single employer retirement plan and is established and administered in accordance with Minnesota statute, chapter 69.

The Association maintains a separate Special fund to accumulate assets to fund the retirement benefits earned by the Department's membership. Funding for the Association is derived from an insurance premium tax in accordance with the Volunteer Firefighter's Relief Association Financing Guidelines Act of 1971 (chapter 261 as amended by chapter 509 of Minnesota statutes 1980). Funds are also derived from investment income.

The Association issues a publicly available financial report. The report may be obtained by writing to the Henderson Firefighters' Relief Association, Henderson, MN 56044.

CITY OF HENDERSON, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010

Note 5: DEFINED BENEFIT PENSION PLAN - FIRE RELIEF ASSOCIATION - CONTINUED

Funding policy

The financial requirements of the Special fund are determined in accordance with section 69.772 of the Minnesota statutes, which requires the payment of pension benefits in a lump sum or optionally in annual installments. The benefits are payable after age 50, 20 years of service, and 10 years of Association membership or upon death. The City's annual pension cost for the current year and related information for the plan is as follows:

Annual pension cost	\$	35,029
Contributions made:		
City (required)		21,554
State aid		13,475
Actuarial valuation date		12/31/2010
Actuarial cost method		Entry age normal
Amortization method		Level dollar closed
Remaining amortization period:		
Normal cost		20 years
Prior service cost		10 years
Asset valuation method		Market
Actuarial assumptions		
Investment rate of return		5%
Projected salary increases		N/A
Inflation rate		N/A
Cost of living adjustments		None

Three Year Trend Information

Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/10	\$ 35,029	100.0 %	\$ -
12/31/09	19,540	100.0	-
12/31/08	29,739	100.0	-

Required Supplementary Information

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Assets in Excess of (Unfunded) Accrued Liability	Funded Rate	Pension Benefit Per Year of Service
12/31/10 *	\$ -	\$ -	\$ -	- %	\$ -
12/31/09	142,305	220,512	(78,207)	64.5	1,000
12/31/08	134,039	225,816	(91,777)	59.4	1,000

* Information not available at time of audit.

CITY OF HENDERSON, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010

Note 6: OTHER INFORMATION

A. Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the City carries insurance. The City obtains insurance through participation in the League of Minnesota Cities Insurance Trust (LMCIT) which is a risk sharing pool with approximately 800 other governmental units. The City pays an annual premium to LMCIT for its workers compensation and property and casualty insurance. The LMCIT is self sustaining through member premiums and will reinsure for claims above a prescribed dollar amount for each insurance event. Settled claims have not exceeded the City's coverage in any of the past three fiscal years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities, if any, include an amount for claims that have been incurred but not reported (IBNRs). The City's management is not aware of any incurred but not reported claims.

B. Related party transactions

The City used services from a company owned by two City Council members. Total payments made to the Council member's business during 2010 were \$841 and \$1,480.

C. Contingent liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

The City's tax increment districts are subject to review by the State of Minnesota Office of the State Auditor (OSA). Any disallowed claims or misuse of tax increments could become a liability of the applicable fund. Management has indicated that they are not aware of any instances of noncompliance which would have a material effect on the financial statements.

D. Concentrations

The City receives a significant amount of its annual General fund revenues from the State of Minnesota from the Local Government Aid (LGA) and Market Value Homestead Credit (MVHC) programs. The amount received in 2010 was \$275,087 and \$22,567 for LGA and MVHC, respectively. This accounted for 63 percent of General fund revenues.

E. Legal debt margin

In accordance with Minnesota statutes, the City may not incur or be subject to general obligation debt in excess of three percent of the market value of taxable property within the City. General obligation debt is payable solely from ad valorem taxes and therefore, excludes debt financed partially or entirely by special assessments, enterprise fund receipts or tax increments. The current debt limitation for the City is \$1,428,702, which is significantly in excess of the City's outstanding general obligation debt of \$164,804.

CITY OF HENDERSON, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010

Note 6: OTHER INFORMATION - CONTINUED

F. Joint powers agreement

In April of 2005 the City of Henderson and the City of Le Sueur entered into a joint powers agreement for the planning, construction, operation and maintenance of facilities for collection and treatment of any wastewater generated within the boundaries of the Cities of Henderson and Le Sueur. The public agency created under this joint powers agreement to manage this activity is known as the Minnesota River Valley Public Utilities Commission (MRVPUC). Under this agreement the City of Henderson transports its wastewater through a force main to a new mechanical treatment facility located in the City of Le Sueur. Wastewater from the facility is discharged into the Minnesota River. Both cities are billed an appropriate amount based upon the amount of wastewater loading generated by each city to cover the costs of its operation based on a budget prepared by the MRVPUC. Property ownership of the facilities is based on location and proportion of contributions of the respective jurisdictions.

CITY OF HENDERSON, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010

Note 7: PRIOR PERIOD ADJUSTMENT

An adjustment was made in the current year to record a prior year fixed asset and to close funds.

Fund	Net Assets January 1, 2010 as Previously Reported	Prior Period Adjustment	Net Assets January 1, 2010 as Restated
Government wide statements			
Governmental activities	\$ 4,262,077	\$ 43,491	\$ 4,305,568
Business-type activities	1,698,336	(28,491)	1,669,845
	\$ 5,960,413	\$ 15,000	\$ 5,975,413
			Adjustment
Prior period adjustment			
Governmental activities			
Prior period adjustment for infrastructure related to enterprise fund			\$ (99,930)
Prior period adjustment for unamortized discount related to enterprise fund			(2,445)
Prior period adjustment for debt service funds reclassified to enterprise fund			(231)
Prior period adjustment for accrued interest payable related to enterprise fund			1,447
Prior period adjustment for debt related to enterprise fund			144,650
Subtotal			43,491
Business-type activities			
Prior period adjustment for infrastructure related to enterprise fund			99,930
Prior period adjustment for unamortized discount related to enterprise fund			2,445
Prior period adjustment for debt service funds reclassified to enterprise fund			231
Prior period adjustment for accrued interest payable related to enterprise fund			(1,447)
Prior period adjustment for debt related to enterprise fund			(144,650)
Prior period adjustment for infrastructure not capitalized in prior year			15,000
Subtotal			(28,491)
Total			\$ 15,000
Enterprise funds			
Water Utility			
Unamortized discount transferred to fund - previously part of reconciliation			\$ 2,975
Bonds payable transferred to fund - previously part of reconciliation			(232,500)
Accrued interest payable transferred to fund - previously part of reconciliation			(5,486)
			(235,011)
Sewer Utility			
Bonds payable transferred to fund - previously part of reconciliation			(370,000)
Accrued interest payable transferred to fund - previously part of reconciliation			(42,191)
			(412,191)
Environmental Services			
Prior period adjustment for infrastructure related to enterprise fund			99,930
Prior period adjustment for unamortized discount related to enterprise fund			2,270
Prior period adjustment for accrued interest payable related to enterprise fund			(1,329)
Prior period adjustment for debt related to enterprise fund			(134,200)
Prior period adjustment for infrastructure not capitalized in prior year			15,000
			(18,329)
Total enterprise funds			\$ (665,531)

THIS PAGE IS LEFT BLANK
INTENTIONALLY

**COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES**

CITY OF HENDERSON
HENDERSON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2010

CITY OF HENDERSON, MINNESOTA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2010

	Special Revenue	Capital Projects	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents (deficit)	\$ (52,036)	\$ 10	\$ (52,026)
Receivables			
Special assessments	441	-	441
Intergovernmental	24	-	24
Prepaid items	24	-	24
TOTAL ASSETS	\$ (51,547)	\$ 10	\$ (51,537)
LIABILITIES AND FUND BALANCES (DEFICITS)			
LIABILITIES			
Accounts payable	\$ 1,235	\$ -	\$ 1,235
Deferred revenue	441	-	441
TOTAL LIABILITIES	1,676	-	1,676
FUND BALANCES (DEFICITS)			
Reserved for prepaid items	24	-	24
Unreserved, reported in:			
Special revenue funds	(53,247)	-	(53,247)
Capital projects funds	-	10	10
TOTAL FUND BALANCES (DEFICITS)	(53,223)	10	(53,213)
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	\$ (51,547)	\$ 10	\$ (51,537)

CITY OF HENDERSON, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS)
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2010

	Special Revenue	Capital Projects	Total Nonmajor Governmental Funds
REVENUES			
Taxes	\$ 8,000	\$ -	\$ 8,000
Special assessments	7,037	-	7,037
Investment earnings	2	-	2
Miscellaneous	3,040	-	3,040
TOTAL REVENUES	<u>18,079</u>	<u>-</u>	<u>18,079</u>
EXPENDITURES			
Current			
Economic development	13,380	-	13,380
Debt service			
Interest and other	1,500	-	1,500
TOTAL EXPENDITURES	<u>14,880</u>	<u>-</u>	<u>14,880</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>3,199</u>	<u>-</u>	<u>3,199</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	28,547	-	28,547
Transfers out	(3,671)	-	(3,671)
TOTAL OTHER FINANCING SOURCES (USES)	<u>24,876</u>	<u>-</u>	<u>24,876</u>
NET CHANGE IN FUND BALANCES	28,075	-	28,075
FUND BALANCES (DEFICITS), JANUARY 1	<u>(81,298)</u>	<u>10</u>	<u>(81,288)</u>
FUND BALANCES (DEFICITS), DECEMBER 31	<u>\$ (53,223)</u>	<u>\$ 10</u>	<u>\$ (53,213)</u>

CITY OF HENDERSON, MINNESOTA
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2010

	203	250	252	Total
	Revenue	Economic Development Authority	Historic Henderson	Nonmajor
ASSETS				
Cash and cash equivalents (deficit)	\$ (52,332)	\$ 296	\$ -	\$ (52,036)
Receivables				
Special assessments				
Delinquent	441	-	-	441
Intergovernmental	24	-	-	24
Prepaid items	-	24	-	24
TOTAL ASSETS	\$ (51,867)	\$ 320	\$ -	\$ (51,547)
LIABILITIES AND FUND BALANCES (DEFICITS)				
LIABILITIES				
Accounts payable	\$ -	\$ 1,235	\$ -	\$ 1,235
Deferred revenue	441	-	-	441
TOTAL LIABILITIES	441	1,235	-	1,676
FUND BALANCES (DEFICITS)				
Reserved for prepaid items	-	24	-	24
Unreserved, undesignated	(52,308)	(939)	-	(53,247)
TOTAL FUND BALANCES (DEFICITS)	(52,308)	(915)	-	(53,223)
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	\$ (51,867)	\$ 320	\$ -	\$ (51,547)

CITY OF HENDERSON, MINNESOTA
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (DEFICITS)
FOR THE YEAR ENDED DECEMBER 31, 2010

	203	250	252	
	<u>Revenue</u>	<u>Economic Development Authority</u>	<u>Historic Henderson</u>	<u>Total Nonmajor</u>
REVENUES				
Taxes				
Property taxes	\$ 3,500	\$ 4,000	\$ 500	\$ 8,000
Special assessments	7,037	-	-	7,037
Investment earnings	-	-	2	2
Miscellaneous				
Other	-	58	-	58
Loan principal	-	2,895	-	2,895
Loan interest	-	87	-	87
TOTAL REVENUES	<u>10,537</u>	<u>7,040</u>	<u>502</u>	<u>18,079</u>
EXPENDITURES				
Current				
Housing and economic development	-	13,380	-	13,380
Debt service				
Interest and other	1,000	500	-	1,500
TOTAL EXPENDITURES	<u>1,000</u>	<u>13,880</u>	<u>-</u>	<u>14,880</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>9,537</u>	<u>(6,840)</u>	<u>502</u>	<u>3,199</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	28,297	250	28,547
Transfers out	-	-	(3,671)	(3,671)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>28,297</u>	<u>(3,421)</u>	<u>24,876</u>
NET CHANGE IN FUND BALANCES	9,537	21,457	(2,919)	28,075
FUND BALANCES (DEFICITS), JANUARY 1	<u>(61,845)</u>	<u>(22,372)</u>	<u>2,919</u>	<u>(81,298)</u>
FUND BALANCES (DEFICITS), DECEMBER 31	<u>\$ (52,308)</u>	<u>\$ (915)</u>	<u>\$ -</u>	<u>\$ (53,223)</u>

CITY OF HENDERSON, MINNESOTA
REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND DEFICITS -
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2010
With Comparative Actual Amounts for the Year Ended December 31, 2009

	2010			2009	
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
REVENUES					
Property taxes	\$ 3,500	\$ 3,500	\$ 3,500	\$ -	\$ 3,500
Special assessments	7,000	7,000	7,037	37	7,720
TOTAL REVENUES	10,500	10,500	10,537	37	11,220
EXPENDITURES					
Debt service					
Interest and other	-	1,000	1,000	-	-
NET CHANGE IN FUND DEFICITS	10,500	9,500	9,537	37	11,220
FUND DEFICITS, JANUARY 1	(61,845)	(61,845)	(61,845)	-	(73,065)
FUND DEFICITS, DECEMBER 31	<u>\$ (51,345)</u>	<u>\$ (52,345)</u>	<u>\$ (52,308)</u>	<u>\$ 37</u>	<u>\$ (61,845)</u>

CITY OF HENDERSON, MINNESOTA
ECONOMIC DEVELOPMENT AUTHORITY FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND DEFICITS -
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2010
With Comparative Actual Amounts for the Year Ended December 31, 2009

	2010			2009	
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
REVENUES					
Taxes					
Property taxes	\$ 4,000	\$ 4,000	\$ 4,000	\$ -	\$ 4,000
Miscellaneous					
Other	3,400	3,400	58	(3,342)	-
Contributions and donations	-	-	-	-	1,000
Loan principal	2,895	2,895	2,895	-	35,000
Loan interest	2	2	87	85	642
TOTAL REVENUES	<u>10,297</u>	<u>10,297</u>	<u>7,040</u>	<u>(3,257)</u>	<u>40,642</u>
EXPENDITURES					
Current					
Economic development					
Personal services	7,400	7,400	7,400	-	3,750
Other services and charges	2,500	2,500	5,980	(3,480)	2,871
Debt service					
Interest and other	-	500	500	-	-
TOTAL EXPENDITURES	<u>9,900</u>	<u>10,400</u>	<u>13,880</u>	<u>(3,480)</u>	<u>6,621</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>397</u>	<u>(103)</u>	<u>(6,840)</u>	<u>(6,737)</u>	<u>34,021</u>
OTHER FINANCING SOURCES					
Sale of assets	-	-	-	-	7,000
Transfers in	-	-	28,297	28,297	-
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>-</u>	<u>28,297</u>	<u>28,297</u>	<u>7,000</u>
NET CHANGE IN FUND DEFICITS	397	(103)	21,457	21,560	41,021
FUND DEFICITS, JANUARY 1	<u>(22,372)</u>	<u>(22,372)</u>	<u>(22,372)</u>	<u>-</u>	<u>(63,393)</u>
FUND DEFICITS, DECEMBER 31	<u>\$ (21,975)</u>	<u>\$ (22,475)</u>	<u>\$ (915)</u>	<u>\$ 21,560</u>	<u>\$ (22,372)</u>

CITY OF HENDERSON, MINNESOTA
HISTORIC HENDERSON FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS) -
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2010
With Comparative Actual Amounts for the Year Ended December 31, 2009

	2010				2009
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
REVENUES					
Taxes					
Property taxes	\$ 500	\$ 500	\$ 500	\$ -	\$ 500
Licenses and permits	-	-	-	-	50
Investment earnings	-	-	2	2	-
TOTAL REVENUES	500	500	502	2	550
EXPENDITURES					
Current					
Culture and recreation					
Other services and charges	200	200	-	200	153
EXCESS OF REVENUES OVER EXPENDITURES	300	300	502	202	397
OTHER FINANCING SOURCES (USES)					
Sale of assets	-	-	-	-	204
Transfers in	-	-	250	250	-
Transfers out	-	-	(3,671)	(3,671)	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	(3,421)	(3,421)	204
NET CHANGE IN FUND BALANCES	300	300	(2,919)	(3,219)	601
FUND BALANCES, JANUARY 1	2,919	2,919	2,919	-	2,318
FUND BALANCES (DEFICITS), DECEMBER 31	\$ 3,219	\$ 3,219	\$ -	\$ (3,219)	\$ 2,919

CITY OF HENDERSON, MINNESOTA
GENERAL FUND
COMPARATIVE BALANCE SHEETS
DECEMBER 31, 2010 AND 2009

	2010	2009
ASSETS		
Cash and cash equivalents	\$ 391,138	\$ 378,636
Receivables		
Delinquent taxes	55,170	45,234
Accounts	2,072	1,989
Intergovernmental	33,848	4,041
Prepaid items	6,004	4,564
TOTAL ASSETS	\$ 488,232	\$ 434,464
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts payable	\$ 23,434	\$ 34,190
Tax anticipation certificates payable	365,000	305,000
Accrued interest payable	5,671	9,257
Deferred revenue	59,850	49,704
TOTAL LIABILITIES	453,955	398,151
FUND BALANCES		
Reserved for prepaid items	6,004	4,564
Unreserved, undesignated	28,273	31,749
TOTAL FUND BALANCES	34,277	36,313
TOTAL LIABILITIES AND FUND BALANCES	\$ 488,232	\$ 434,464

CITY OF HENDERSON, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - CONTINUED ON THE FOLLOWING PAGES
FOR THE YEAR ENDED DECEMBER 31, 2010
With Comparative Actual Amounts for the Year Ended December 31, 2009

	2010			2009	
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
REVENUES					
Taxes					
Property taxes	\$ 143,200	\$ 118,980	\$ 77,702	\$ (41,278)	\$ 87,319
Franchise taxes	7,500	7,500	7,789	289	7,765
Total taxes	150,700	126,480	85,491	(40,989)	95,084
Licenses and permits					
Business	4,600	4,600	4,700	100	120
Nonbusiness	12,500	3,500	2,863	(637)	9,711
Total licenses and permits	17,100	8,100	7,563	(537)	9,831
Intergovernmental					
Federal					
Other federal aid	-	-	20,361	20,361	-
State					
Local government aid	275,087	275,087	275,087	-	267,663
Property tax credits and aids	-	-	22,567	22,567	45,590
Police state aid	6,800	6,800	6,618	(182)	6,751
Other state aid	2,156	29,278	9,468	(19,810)	8,903
Total state	284,043	311,165	313,740	2,575	328,907
County					
Highway aid	5,500	5,500	5,092	(408)	5,478
Total intergovernmental	289,543	316,665	339,193	22,528	334,385
Charges for services					
General government	-	-	12	12	-
Public safety	100	100	-	(100)	50
Culture and recreation	7,000	8,000	8,972	972	6,466
Total charges for services	7,100	8,100	8,984	884	6,516
Fines and forfeits	16,500	18,000	17,487	(513)	18,204
Investment earnings	-	50	40	(10)	29
Miscellaneous					
Other	230	230	1,016	786	14
Contributions and donations	-	50	3,350	3,300	1,980
Rents and refunds	7,000	7,500	5,782	(1,718)	10,036
Total miscellaneous	7,230	7,780	10,148	2,368	12,030
TOTAL REVENUES	488,173	485,175	468,906	(16,269)	476,079

CITY OF HENDERSON, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2010
With Comparative Actual Amounts for the Year Ended December 31, 2009

	2010			2009	
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
EXPENDITURES					
Current					
General government					
Mayor and Council					
Personal services	\$ 8,100	\$ 8,100	\$ 6,243	\$ 1,857	\$ 8,074
Other services and charges	3,350	2,910	1,173	1,737	3,384
Total Mayor and Council	11,450	11,010	7,416	3,594	11,458
City clerk/administration					
Personal services	74,625	72,425	70,044	2,381	65,619
Supplies	1,250	1,300	1,644	(344)	1,139
Other services and charges	17,898	17,776	14,844	2,932	14,961
Total city clerk/administration	93,773	91,501	86,532	4,969	81,719
Auditing					
Other services and charges	3,500	3,500	3,500	-	4,220
Assessing					
Other services and charges	4,800	4,800	4,800	-	4,800
Legal					
Supplies	50	50	53	(3)	45
Other services and charges	8,700	9,450	10,216	(766)	5,243
Total legal	8,750	9,500	10,269	(769)	5,288
General government building					
Supplies	1,900	1,900	1,475	425	1,270
Other services and charges	11,950	12,772	12,213	559	12,875
Total general government building	13,850	14,672	13,688	984	14,145
Total general government	136,123	134,983	126,205	8,778	121,630

CITY OF HENDERSON, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2010
With Comparative Actual Amounts for the Year Ended December 31, 2009

	2010			2009	
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
EXPENDITURES - CONTINUED					
Current - continued					
Public safety					
Police					
Personal services	\$ 130,060	\$ 131,360	\$ 133,894	\$ (2,534)	\$ 125,780
Supplies	5,100	4,850	4,920	(70)	4,924
Other services and charges	5,720	5,420	5,402	18	3,810
Total police	140,880	141,630	144,216	(2,586)	134,514
Ambulance					
Supplies	100	100	4	96	9
Other services and charges	500	500	-	500	-
Total ambulance	600	600	4	596	9
Building inspection					
Other services and charges	5,500	4,700	4,640	60	5,988
Total building inspection	5,500	4,700	4,640	60	5,988
Civil defense					
Personal services	1,720	720	480	240	1,000
Supplies	350	600	-	600	922
Other services and charges	5,100	2,450	1,315	1,135	8,196
Total civil defense	7,170	3,770	1,795	1,975	10,118
Animal control					
Supplies	100	50	56	(6)	41
Other services and charges	250	250	198	52	662
Total animal control	350	300	254	46	703
2010 Disasters					
Personal services	-	-	832	(832)	-
Supplies	-	-	2,545	(2,545)	-
Other services and charges	-	27,147	4,602	22,545	-
Total 2010 disasters	-	27,147	7,979	19,168	-
Total public safety	154,500	178,147	158,888	19,259	151,332
Streets and highways					
Streets and highways					
Personal services	43,040	43,040	46,022	(2,982)	46,252
Supplies	9,500	8,675	10,865	(2,190)	8,261
Other services and charges	15,200	16,515	19,905	(3,390)	25,597
Total streets and highways	67,740	68,230	76,792	(8,562)	80,110

CITY OF HENDERSON, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2010
With Comparative Actual Amounts for the Year Ended December 31, 2009

	2010			2009	
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
EXPENDITURES - CONTINUED					
Current - continued					
Streets and highways - continued					
Street lighting					
Other services and charges	\$ 22,000	\$ 22,000	\$ 20,409	\$ 1,591	\$ 21,599
Total streets and highways	89,740	90,230	97,201	(6,971)	101,709
Health					
Other services charges	300	-	-	-	-
Culture and recreation					
Parks					
Personal services	11,600	9,300	11,171	(1,871)	14,852
Supplies	3,850	3,850	4,473	(623)	3,010
Other services and charges	11,310	11,560	16,236	(4,676)	8,708
Total parks	26,760	24,710	31,880	(7,170)	26,570
Library					
Personal services	1,150	1,650	2,115	(465)	956
Supplies	600	1,200	682	518	588
Other services and charges	23,900	20,000	20,548	(548)	18,683
Total library	25,650	22,850	23,345	(495)	20,227
Cable TV					
Other services and charges	4,700	4,700	4,566	134	4,683
Total culture and recreation	57,110	52,260	59,791	(7,531)	51,480
Economic development					
Other services and charges	1,600	1,600	1,579	21	-
Unallocated					
Other services and charges	-	-	25	(25)	-
Total current	439,373	457,220	443,689	13,531	426,151

THIS PAGE IS LEFT BLANK
INTENTIONALLY

CITY OF HENDERSON, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2010
With Comparative Actual Amounts for the Year Ended December 31, 2009

	2010			2009	
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
EXPENDITURES - CONTINUED					
Capital outlay					
General government	\$ 3,600	\$ 2,900	\$ 2,838	\$ 62	\$ -
Streets and highways	-	-	4,485	(4,485)	6,370
Culture and recreation	3,000	-	-	-	-
Total capital outlay	<u>6,600</u>	<u>2,900</u>	<u>7,323</u>	<u>(4,423)</u>	<u>6,370</u>
Debt service					
Principal	305,000	-	-	-	-
Interest and other	34,000	23,300	23,351	(51)	21,908
Total debt service	<u>339,000</u>	<u>23,300</u>	<u>23,351</u>	<u>(51)</u>	<u>21,908</u>
TOTAL EXPENDITURES	<u>784,973</u>	<u>483,420</u>	<u>474,363</u>	<u>9,057</u>	<u>454,429</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(296,800)</u>	<u>1,755</u>	<u>(5,457)</u>	<u>(7,212)</u>	<u>21,650</u>
OTHER FINANCING SOURCES					
Transfers in	-	-	3,671	3,671	11,858
Debt issued	295,000	-	-	-	-
Transfers out	-	-	(250)	(250)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>295,000</u>	<u>-</u>	<u>3,421</u>	<u>3,421</u>	<u>11,858</u>
NET CHANGE IN FUND BALANCES	(1,800)	1,755	(2,036)	(3,791)	33,508
FUND BALANCES, JANUARY 1	<u>36,313</u>	<u>36,313</u>	<u>36,313</u>	<u>-</u>	<u>2,805</u>
FUND BALANCES, DECEMBER 31	<u>\$ 34,513</u>	<u>\$ 38,068</u>	<u>\$ 34,277</u>	<u>\$ (3,791)</u>	<u>\$ 36,313</u>

CITY OF HENDERSON, MINNESOTA
DEBT SERVICE FUNDS
COMBINING BALANCE SHEET - CONTINUED ON THE FOLLOWING PAGES
DECEMBER 31, 2010
With Comparative Totals for December 31, 2009

	301	303	304	305
	Permanent Improvement Revolving	2003 G.O. Improvement Bonds	2005A G.O. Improvement Bonds	2003A G.O. Refunding Bonds
ASSETS				
Cash and cash equivalents (deficit)	\$ (65,360)	\$ (84,800)	\$ 16,111	\$ -
Receivables				
Accounts	-	-	-	-
Special assessments				
Current	3,057	-	-	-
Delinquent	1,486	175,072	-	-
Deferred	35,633	79,080	-	-
Intergovernmental	4	-	-	-
Prepaid items	103	-	-	-
TOTAL ASSETS	<u>\$ (25,077)</u>	<u>\$ 169,352</u>	<u>\$ 16,111</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES (DEFICITS)				
LIABILITIES				
Deferred revenue	\$ 40,176	\$ 254,152	\$ -	\$ -
FUND BALANCES (DEFICITS)				
Reserved for debt service	-	-	16,111	-
Unreserved - undesignated	(65,253)	(84,800)	-	-
TOTAL FUND BALANCES (DEFICITS)	<u>(65,253)</u>	<u>(84,800)</u>	<u>16,111</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ (25,077)</u>	<u>\$ 169,352</u>	<u>\$ 16,111</u>	<u>\$ -</u>

310	350	366	375	376	377	378
1998 G.O. Improvement Bonds	2000 Lease Obligation	2005 G.O. Equipment Certificates	2002 G.O. Improvement Bonds	2003A G.O. Tax Increment Refunding Bonds	1998 G.O. Tax Increment Bonds	Library Lease
\$ -	\$ -	\$ -	\$ 2	\$ -	\$ -	\$ 7,259
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,259</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
-	-	-	2	-	-	7,259
-	-	-	-	-	-	-
-	-	-	2	-	-	7,259
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,259</u>

CITY OF HENDERSON, MINNESOTA
DEBT SERVICE FUNDS
COMBINING BALANCE SHEET - CONTINUED
DECEMBER 31, 2010
With Comparative Totals for December 31, 2009

	501	504	505	506
	Revenue Debt PIR	2003 G.O. Revenue Bonds	2003A G.O. Revenue Refunding Bonds	2000 G.O. Revenue Bonds
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
ASSETS				
Cash and cash equivalents (deficit)	\$ -	\$ -	\$ -	\$ -
Receivables				
Accounts	-	-	-	-
Special assessments				
Current	-	-	-	-
Delinquent	-	-	-	-
Deferred	-	-	-	-
Intergovernmental	-	-	-	-
Prepaid items	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
LIABILITIES AND FUND BALANCES (DEFICITS)				
LIABILITIES				
Deferred revenue	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
FUND BALANCES (DEFICITS)				
Reserved for debt service	-	-	-	-
Unreserved - undesignated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL FUND BALANCES (DEFICITS)	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

507 2006A G.O. Revenue Refunding Bonds I	508 2006A G.O. Revenue Refunding Bonds II	509 2006A G.O. Revenue Refunding Bonds III	510 2006A G.O. Revenue Refunding Bonds IV	379 2007 G.O. Tax Increment Bonds	511 2007B G.O. Revenue Bonds
\$ -	\$ -	\$ -	\$ -	\$ (26,859)	\$ -
-	-	-	-	38,137	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,278</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,137</u>	<u>\$ -</u>
-	-	-	-	-	-
-	-	-	-	(26,859)	-
-	-	-	-	(26,859)	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,278</u>	<u>\$ -</u>

THIS PAGE IS LEFT BLANK
INTENTIONALLY

CITY OF HENDERSON, MINNESOTA
DEBT SERVICE FUNDS
COMBINING BALANCE SHEET - CONTINUED
DECEMBER 31, 2010
With Comparative Totals for December 31, 2009

	Totals	
	2010	2009
ASSETS		
Cash and cash equivalents (deficit)	\$ (153,647)	\$ 14,788
Receivables		
Accounts	38,137	49,576
Special assessments		
Current	3,057	15,631
Delinquent	176,558	89,869
Deferred	114,713	197,091
Intergovernmental	4	333
Prepaid items	103	143
 TOTAL ASSETS	 \$ 178,925	 \$ 367,431
 LIABILITIES AND FUND BALANCES (DEFICITS)		
LIABILITIES		
Deferred revenue	\$ 332,465	\$ 321,432
 FUND BALANCES (DEFICITS)		
Reserved for debt service	23,372	137,082
Unreserved - undesignated	(176,912)	(91,083)
 TOTAL FUND BALANCES (DEFICITS)	 (153,540)	 45,999
 TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	 \$ 178,925	 \$ 367,431

CITY OF HENDERSON, MINNESOTA
DEBT SERVICE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS) -
CONTINUED ON THE FOLLOWING PAGES
FOR THE YEAR ENDED DECEMBER 31, 2010
With Comparative Totals for the Year Ended December 31, 2009

	301	303	304	305
	Permanent Improvement Revolving	2003 G.O. Improvement Bonds	2005A G.O. Improvement Bonds	2003A G.O. Refunding Bonds
REVENUES				
Taxes				
Property taxes	\$ 5,000	\$ 1,000	\$ 90,000	\$ 45,000
Tax increment district taxes	-	-	-	-
Special assessments	20,980	1,398	-	126
Investment earnings	-	-	-	-
Miscellaneous				
Contributions and donations	-	-	-	-
Rents and refunds	114	-	-	-
TOTAL REVENUES	26,094	2,398	90,000	45,126
EXPENDITURES				
Current				
General government	7,353	-	-	-
Economic development	-	-	-	-
Debt service				
Principal	-	110,000	50,000	50,000
Interest and other	5,473	11,279	31,303	2,204
TOTAL EXPENDITURES	12,826	121,279	81,303	52,204
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	13,268	(118,881)	8,697	(7,078)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	5,603
Transfers out	(24,207)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(24,207)	-	-	5,603
NET CHANGE IN FUND BALANCES	(10,939)	(118,881)	8,697	(1,475)
FUND BALANCES (DEFICITS), JANUARY 1	(54,314)	34,081	7,414	1,475
FUND BALANCES (DEFICITS), DECEMBER 31	\$ (65,253)	\$ (84,800)	\$ 16,111	\$ -

310	350	366	375	376	377	378
1998 G.O. Improvement Bonds	2000 Lease Obligation	2005 G.O. Equipment Certificates	2002 G.O. Improvement Bonds	2003A G.O. Tax Increment Refunding Bonds	1998 G.O. Tax Increment Bonds	Library Lease
\$ 95,000	\$ 49,000	\$ 24,000	\$ 60,000	\$ -	\$ -	\$ 22,000
-	-	-	-	3,308	-	-
-	-	-	-	-	-	-
-	-	-	-	-	31,000	-
-	-	-	-	-	-	-
<u>95,000</u>	<u>49,000</u>	<u>24,000</u>	<u>60,000</u>	<u>3,308</u>	<u>31,000</u>	<u>22,000</u>
-	-	-	-	-	-	-
-	-	-	-	8,783	3,150	-
75,000	19,481	32,000	35,000	-	25,000	15,400
<u>39,455</u>	<u>566</u>	<u>1,224</u>	<u>31,469</u>	<u>-</u>	<u>6,519</u>	<u>7,029</u>
<u>114,455</u>	<u>20,047</u>	<u>33,224</u>	<u>66,469</u>	<u>8,783</u>	<u>34,669</u>	<u>22,429</u>
<u>(19,455)</u>	<u>28,953</u>	<u>(9,224)</u>	<u>(6,469)</u>	<u>(5,475)</u>	<u>(3,669)</u>	<u>(429)</u>
18,336	-	-	1,079	-	-	-
<u>-</u>	<u>(224)</u>	<u>(587)</u>	<u>-</u>	<u>-</u>	<u>(28,297)</u>	<u>-</u>
<u>18,336</u>	<u>(224)</u>	<u>(587)</u>	<u>1,079</u>	<u>-</u>	<u>(28,297)</u>	<u>-</u>
(1,119)	28,729	(9,811)	(5,390)	(5,475)	(31,966)	(429)
<u>1,119</u>	<u>(28,729)</u>	<u>9,811</u>	<u>5,392</u>	<u>5,475</u>	<u>31,966</u>	<u>7,688</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,259</u>

CITY OF HENDERSON, MINNESOTA
DEBT SERVICE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS) - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2010
With Comparative Totals for the Year Ended December 31, 2009

	501	504	505	506
	Revenue Debt PIR	2003 G.O. Revenue Bonds	2003A G.O. Revenue Refunding Bonds	2000 G.O. Revenue Bonds
REVENUES				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Tax increment district taxes	-	-	-	-
Special assessments	-	-	-	-
Investment earnings	-	-	-	-
Miscellaneous				
Contributions and donations	-	-	-	-
Rents and refunds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES				
Current				
General government	6,581	-	-	-
Economic development	-	-	-	-
Debt service				
Principal	-	15,000	20,000	-
Interest and other	1,500	1,425	860	16,931
	<u>8,081</u>	<u>16,425</u>	<u>20,860</u>	<u>16,931</u>
TOTAL EXPENDITURES	<u>8,081</u>	<u>16,425</u>	<u>20,860</u>	<u>16,931</u>
EXCESS (DEFICIENCY) OF				
REVENUES OVER (UNDER) EXPENDITURES	<u>(8,081)</u>	<u>(16,425)</u>	<u>(20,860)</u>	<u>(16,931)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	9,000	16,500	26,200	17,000
Transfers out	(1,045)	(166)	(5,363)	(80)
	<u>7,955</u>	<u>16,334</u>	<u>20,837</u>	<u>16,920</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>7,955</u>	<u>16,334</u>	<u>20,837</u>	<u>16,920</u>
NET CHANGE IN FUND BALANCES	(126)	(91)	(23)	(11)
FUND BALANCES (DEFICITS), JANUARY 1	<u>126</u>	<u>91</u>	<u>23</u>	<u>11</u>
FUND BALANCES (DEFICITS), DECEMBER 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

507 2006A G.O. Revenue Refunding Bonds I	508 2006A G.O. Revenue Refunding Bonds II	509 2006A G.O. Revenue Refunding Bonds III	510 2006A G.O. Revenue Refunding Bonds IV	379 2007 G.O. Tax Increment Bonds	511 2007B G.O. Revenue Bonds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	3,151	-
10,000	15,000	6,250	3,750	5,000	4,200
1,859	21,525	2,720	1,694	10,668	3,096
11,859	36,525	8,970	5,444	18,819	7,296
(11,859)	(36,525)	(8,970)	(5,444)	(18,819)	(7,296)
11,800	27,000	9,000	6,200	-	7,300
(96)	(20,095)	(111)	(3,160)	-	(154)
11,704	6,905	8,889	3,040	-	7,146
(155)	(29,620)	(81)	(2,404)	(18,819)	(150)
155	29,620	81	2,404	(8,040)	150
\$ -	\$ -	\$ -	\$ -	\$ (26,859)	\$ -

THIS PAGE IS LEFT BLANK
INTENTIONALLY

CITY OF HENDERSON, MINNESOTA
DEBT SERVICE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS) - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2010
With Comparative Totals for the Year Ended December 31, 2009

	Totals	
	2010	2009
REVENUES		
Taxes		
Property taxes	\$ 391,000	\$ 407,000
Tax increment district taxes	3,308	3,308
Special assessments	22,504	33,946
Investment earnings	-	191
Miscellaneous		
Contributions and donations	31,000	37,686
Rents and refunds	114	156
	447,926	482,287
TOTAL REVENUES		
EXPENDITURES		
Current		
General government	13,934	12,508
Economic development	15,084	7,999
Debt service		
Principal	491,081	492,393
Interest and other	198,799	202,772
	718,898	715,672
TOTAL EXPENDITURES		
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(270,972)	(233,385)
OTHER FINANCING SOURCES (USES)		
Transfers in	155,018	164,704
Transfers out	(83,585)	(18,654)
	71,433	146,050
TOTAL OTHER FINANCING SOURCES (USES)		
NET CHANGE IN FUND BALANCES	(199,539)	(87,335)
FUND BALANCES (DEFICITS), JANUARY 1	45,999	133,334
FUND BALANCES (DEFICITS), DECEMBER 31	\$ (153,540)	\$ 45,999

CITY OF HENDERSON, MINNESOTA
SUMMARY FINANCIAL REPORT (UNAUDITED)
REVENUES AND EXPENDITURES FOR GENERAL OPERATIONS
GOVERNMENTAL FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	Total 2010	Total 2009	Percent Increase (Decrease)
REVENUES			
Taxes	\$ 532,799	\$ 558,392	(4.58) %
Special assessments	29,541	41,666	(29.10)
Licenses and permits	7,563	9,881	(23.46)
Intergovernmental	366,382	479,429	(23.58)
Charges for services	32,894	21,445	53.39
Fines and forfeits	17,487	18,204	(3.94)
Investment earnings	97	396	(75.51)
Miscellaneous	79,156	230,017	(65.59)
TOTAL REVENUES	\$ 1,065,919	\$ 1,359,430	(21.59) %
Per Capita	\$ 1,152	\$ 1,446	(20.32) %
EXPENDITURES			
Current			
General government	\$ 140,139	\$ 134,138	4.47 %
Public safety	269,995	225,566	19.70
Streets and highways	97,201	101,709	(4.43)
Culture and recreation	59,791	51,633	15.80
Economic development	30,043	14,620	105.49
Unallocated	25	-	100.00
Capital outlay			
General government	2,838	-	100.00
Public safety	4,980	356,318	(98.60)
Streets and highways	4,485	9,770	(54.09)
Debt service			
Principal	491,081	492,393	(0.27)
Interest and other charges	226,043	226,616	(0.25)
TOTAL EXPENDITURES	\$ 1,326,621	\$ 1,612,763	(17.74) %
Per Capita	\$ 1,434	\$ 1,716	(16.41) %
Total Long-term Indebtedness	\$ 2,880,000	\$ 3,262,000	(11.71) %
Per Capita	3,114	3,470	(10.28)
General Fund Balance - December 31	\$ 34,277	\$ 36,313	(5.61) %
Per Capita	37	39	(4.06)

The purpose of this report is to provide a summary of financial information concerning the City of Henderson to interested citizens. The complete financial statements may be examined at PO Box 433, 600 Main St. Questions about this report should be directed to Lon Berberich, Administrator/Clerk-Treasurer at 507-248-3234.

OTHER REQUIRED REPORTS

CITY OF HENDERSON
HENDERSON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2010

THIS PAGE IS LEFT BLANK
INTENTIONALLY



11 Civic Center Plaza
Suite 300
P.O. Box 3166
Mankato, MN 56002-3166

REPORT ON MINNESOTA LEGAL COMPLIANCE

Honorable Mayor and City Council
City of Henderson
Henderson, Minnesota

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Henderson, Minnesota, (the City) as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 10, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minnesota Legal Compliance Audit Guide for Local Government*, promulgated by the Minnesota Office of the State Auditor pursuant to Minnesota statute 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The *Minnesota Legal Compliance Audit Guide for Local Government* covers seven main categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, tax increment financing and miscellaneous provisions. Our study included all of the listed categories.

The results of our tests indicate that for the items tested, the City complied with the material terms and conditions of applicable legal provisions.

This report is intended solely for the information and use of the Council, management and the Minnesota Office of the State Auditor, and is not intended to be and should not be used by anyone other than these specified parties.

March 10, 2011
Mankato, Minnesota

ABDO, EICK & MEYERS, LLP
Certified Public Accountants



11 Civic Center Plaza
Suite 300
P.O. Box 3166
Mankato, MN 56002-3166

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Mayor and City Council
City of Henderson
Henderson, Minnesota

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Henderson, Minnesota, (the City) as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 10, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis of designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We considered the deficiency described in the accompanying Schedule of Findings and Responses as finding 2010-3 to be a material weaknesses.

A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as findings 2010-1 and 2010-2 to be significant deficiencies.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted certain matters that we reported to management of the City in a separate letter dated March 10, 2011.

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit the City's response and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, City Council and the Minnesota Office of the State Auditor, and is not intended to be and should not be used by anyone other than these specified parties.

March 10, 2011
Mankato, Minnesota

Abdo, Eick & Meyers, LLP
ABDO, EICK & MEYERS, LLP
Certified Public Accountants

CITY OF HENDERSON, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2010

Finding

Description

2010-1

Segregation of duties (finding since 2007)

Condition: During our audit we reviewed internal control procedures over payroll, disbursements, cash receipts and utility billing and found the City to have limited segregation of duties in these areas.

Criteria: There are four general categories of duties: authorization, custody, record keeping and reconciliation. In an ideal system, different employees perform each of these four major functions. In other words, no one person has control of two or more of these responsibilities.

Effect: The existence of this limited segregation of duties increases the risk of fraud.

Internal control over payroll

Cause: As a result of the small number of staff, the Administrator/Clerk-Treasurer controls and maintains the check stock, approves time cards, runs payroll, prepares and signs checks, posts activity to the general ledger, reconciles bank accounts, prepares payroll tax returns, and maintains the payroll records.

Recommendation: Currently, the City Council and Mayor are involved in the payroll process through signing checks, approving general ledger postings, putting checks in envelopes, reconciliations, tax returns, payroll records, compensated absences, and accrued wages. We believe these procedures significantly mitigate the risk related to segregation of duties and should be continued.

Updated progress from prior year:

The Council is very involved in overseeing the financial reports and now reviews time cards. Since 2008 sign off sheets are being used to provide documentation of this oversight.

Internal control over disbursements

Cause: As a result of the small number of staff, the Administrative Assistant sets up vendors, posts activity to general ledger, prepares checks, mails checks to vendors, maintains the purchase journal and accounts payable records.

Recommendation: Currently, the City Council reviews and signs off on activity posted to general ledger, reviews checks before they are processed, and the mayor reviews disbursements before checks are signed. We believe these procedures significantly mitigate the risk related to segregation of duties and should be continued.

Updated progress from prior year:

The Council is very involved in overseeing the financial reports. The Administrator/Clerk-Treasurer now opens the mail. Since 2008, sign off sheets are being used to provide documentation of this oversight.

CITY OF HENDERSON, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES- CONTINUED
DECEMBER 31, 2010

Finding

Description

2010-1

Segregation of duties (finding since 2007) - Continued

Internal control over cash receipts

Cause: As a result of the small number of staff, the Administrative Assistant sets up customers, posts activity to the general ledger, receives and endorses checks and currency, prepares the deposit, generates billing statements, and maintains the receipts journal and receivable records.

Recommendation: Currently, the City Council reviews and reconciles deposits and receivables monthly. We believe these procedures significantly mitigate the risk related to segregation of duties and should be continued.

Updated progress from prior year:

The Council is very involved in overseeing the financial reports. Since 2008, sign off sheets are being used to provide documentation of this oversight.

Internal control over utility billing

Cause: As a result of the small number of staff, the Administrator/Clerk-Treasurer opens mail, takes the deposit to the bank, reviews adjustments to accounts, and controls the accuracy completeness of and access to utility billing program and data files.

Recommendation: Currently, Council members review the accuracy and completeness of reports in fund accounting and utility billing, and approve adjustments to accounts. We believe these procedures significantly mitigate the risk related to segregation of duties and should be continued.

Management response:

The City has already taken measures to attempt to comply even though the City is relatively small and the number of clerical/bookkeeping staff they can employ is limited. The Council has addressed this circumstance by active participation in the City's affairs. This includes approval of expenditures, regular review of financial statements and budget comparisons, approval of adjustments to accounts, and approval of the reconciliation of the utility subledger to the general ledger. The Administrative Assistant now prepares the bank deposits and reconciles the receivable subledger.

Updated progress from prior year:

The Council is very involved in overseeing the financial reports. Since 2008, sign off sheets are being used to provide documentation of this oversight.

CITY OF HENDERSON, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES- CONTINUED
DECEMBER 31, 2010

Finding

Description

2010-2

Financial report preparation (finding since 2007)

Condition: As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. Recent auditing standards require auditors to communicate this situation to the Council as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of your statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do with organizations of your size. However, based on recent auditing standards, it is our responsibility to inform you that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by your management. Essentially, the auditors cannot be part of your internal control process.

Criteria: Internal controls should be in place to provide reasonable assurance over financial reporting.

Cause: From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do with organization of your size.

Effect: The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in internal controls can result in undetected errors in financial reporting.

Recommendation: It is your responsibility to make the ultimate decision to accept this degree of risk associated with this condition because of cost or other considerations. As in prior years, we have instructed management to review a draft of the auditor prepared financials in detail for their accuracy; we have answered any questions they might have, and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification of disclosure in your statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements. While the City is reviewing the financial statements we recommend a disclosure checklist is utilized to ensure all required disclosures are presented and the City should agree its financial software to the numbers reported in the financial statements.

Management response:

For now, the City's management accepts the degree of risk associated with this condition and thoroughly reviews a draft of the financial statements.

Updated progress from prior year:

No progress has been made with this finding in the current year.

CITY OF HENDERSON, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES- CONTINUED
DECEMBER 31, 2010

Finding

Description

2010-3

Material audit adjustments (finding since 2007)

Condition: During our audit, adjustments were needed to correct coding and reclassify amounts to correct funds.

Criteria: Such adjustments should be detected and made by the City's personnel.

Cause: City staff has not prepared a year end trial balance reflecting all necessary accruals and year end adjustments without auditor assistance.

Effect: This indicates that it would be likely that a misstatement may occur and not be detected by the City's system of internal control. The audit firm cannot serve as a compensating control for this deficiency.

Recommendation: We recommend that management review each journal entry, obtain an understanding of why the entry was necessary and modify current procedures to ensure that future corrections are not needed.

Management response:

The City will review all adjusting entries posted this year and make all such necessary adjustments in the future. The Accountant will continue to monitor all financial activity and adjust account balances as needed throughout the year and at year end to prevent material misstatements from occurring.

Updated progress from prior year:

Improvement was made in this area during 2010. However, we believe that the adjusting entries made to close funds and adjust debt service and capital asset activity caused this finding to be a material weakness.